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Internal benchmark of IKEA's Sourcing Assignment processes and documents across business areas and categories – A multiple case study



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Abstract

Background

The IKEA Range & Supply organisation consists of business areas (BAs) and categories. BAs work with product development toward end-customers while the material-based categories work toward suppliers with purchasing and sourcing related tasks. There exists an internal cross-organisational interface between these units and IKEA recently created Sourcing Assignment as a tool to encourage BAs and categories to formally meet, discuss and document agreements. Previously these interactions occurred informally. A Sourcing Assignment starter package (status quo), containing general guidelines on way of working, a checklist and proposed document template, was shared with the involved employees in early 2016. Supply Chain Managers (SCMs), representing BAs, and Category Managers (CMs), representing categories, were suggested as the key internal stakeholders to create *documented handshakes* in the form of Sourcing Assignments. SCMs and CMs were given the freedom to set up Sourcing Assignment as preferred, with status quo as a reference. Sourcing Assignment implementation took place during spring 2016 and an internal evaluation was planned in autumn 2016. However, it was never conducted. The master's thesis study was carried out around a year after Sourcing Assignment was launched companywide.

Problem formulation

Complexity exists in the cross-organisational interface between 10 BAs, divided into 20 home furnishing businesses (HFBs), and 7 category areas, divided into 34 categories. BAs work with several different categories while the opposite also applies, i.e. categories work with multiple BAs as well. This means that SCMs and CMs must handle many different Sourcing Assignment relations in IKEA. It was specified in status quo that BAs were expected to take the lead for Sourcing Assignment and approach the categories. BAs started developing their own ways of working (processes) and document templates meaning that a category working with multiple BAs could expect different approaches. Sourcing Assignment was portrayed as a documented handshake which primarily categories, but also BAs, should consider further in their business plan (BPL) and action plan (APL) processes. These BPL and APL processes are sub-processes in an IKEA core process with the purpose to "*optimise the value chain and define a world class supplier base satisfying short- and long-term capacity and quality demands based on Sourcing Assignments from HFBs*" (IKEA, 2017A). Consequently, CMs responsible for widespread categories working with many BAs could in a worst-case scenario have 10 different ways of working and document templates at hand. This can cause confusion once all individual Sourcing Assignments are compiled. The IKEA supervisors raised concerns regarding diverging ways of working with Sourcing Assignment, and want to map the as-is situation in dialogue with categories to identify an internal best practice, i.e. one way of working, applicable to the entire IKEA Range & Supply organisation.

Purpose

The purpose with this master's thesis is to develop and recommend an improved way of working with Sourcing Assignment, i.e. the process and document template, so that IKEA can work more structured and aligned with Sourcing Assignment in the future.

Methodology and method

The master's thesis followed a constructive research approach (CRA) and mostly an inductive research process within the CRA. The chosen CRA highlights the importance of testing a

developed construct, i.e. the solution to the problem, under authentic circumstances. Two qualitative tests were conducted in IKEA leading to minor modifications of the developed construct. The inductive research process meant that an extensive theoretical frame of reference was not developed for empirical testing prior to data collection. The main motivator was scarcity of academic literature treating equivalents to Sourcing Assignment and the highly practical and internal nature. Therefore, data collection, via interviews and documents, began at an early stage for the two units of analysis, namely the Sourcing Assignment process and document. Then, internal best practice was built from empirics, in line with the qualitative grounded theory philosophy, while theoretical elements were integrated deductively along the way leading to a more balanced research process.

A multiple-case study was followed as research method which resulted in empirical data being collected from IKEA employees in 6 BAs and 9 categories. Interview material was condensed into 6 case descriptions pinpointing e.g. *potential problems* and *desired way of working*. Data analysis consisted of cross-case analysis to point out elements to include or exclude in an internal best practice.

Conclusions

Several different individual process approaches were identified as result of the cross-case analysis, namely clustering, top priority, all-inclusive, short-term focus and information sharing approaches. None of the cases were considered as standalone internal best practice, but several individual best practice elements were identified within the separate cases. Collectively these elements could be combined into a best practice for IKEA's Sourcing Assignment. The developed construct, i.e. the recommended improved way of working with the Sourcing Assignment process and document template, consists of a new Sourcing Assignment:

- Framework
- Process map
- Year cycle
- Handbook

The proposed framework outlines a best practice way of working with Sourcing Assignment. Two priority levels are distinguished with different process and document scope depending on the internal power-dependency between BAs and categories. The Sourcing Assignment handbook is the new document template accompanied with the new framework, process map and year cycle as complementary appendix.

Keywords

• *Sourcing Assignment* • *Internal benchmark* • *Multiple-case study* • *Cross-case analysis* • *Internal best practice* • *Category management in purchasing* • *Category source/sourcing plan* • *IKEA way of working*

Abbreviations

APL	Action Plan
B&B	Bedroom and Bathroom
BA	Business Area
BCP	Business Contingency Planning
BC	Business Council
BD	Business Developer
BDM	Business Development Manager
BPL	Business Plan
CAM	Category Area Manager
CC	Category Council
CEM	Category Execution Meeting
(D)CM	(Deputy) Category Manager
CSS	Category Sourcing Specialist
CRA	Constructive Research Approach
CED	Cooking, Eating and Decoration
CHD	Children's IKEA
DPOP	Develop the Product Offer Process
DSS	Shared Solutions Development
EQR	Engineering Quality Requirements
FY	Fiscal Year
HFB	Home Furnishing Business
IWOW	IKEA Way of Working
K&D	Kitchen and Dining
Lighting	Lighting and Home Smart
LWR	Livingroom and Workspaces
LTP	Long-term Plan
M&ID	Material and Innovation Development
OSOF	Outdoor, Storage, Organisation and IKEA Family
POD	Product Offer Development
PDP	Purchase Development Process (<i>the category BPL process</i>)
POA	Purchasing Operation Area
SD	Sourcing Developer
SDM	Sourcing Development Manager
SDP	Supplier Development Process (<i>the category APL process</i>)
SCM	Supply Chain Manager
(D)SM	(Deputy) Supply Manager

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1. Introduction

This chapter gives a short background by first describing category sourcing plans from both theory and practice. The IKEA organisation and problem is then elaborated upon before explaining the unit of analysis. The purpose and research questions are stated followed by directives and delimitations set by IKEA. The intended target group for this master's thesis and a report outline concludes the chapter.

1.1. Background

Van Weele (2014) points out that companies can realise considerable cost-savings while at the same time improving supplier relationships and streamline supply chains if they implement category sourcing strategies in an appropriate way throughout the organisation. One reason is that traditional purchasing often lacks good governance structures internally causing lack of professionalism in handling supplier relations (van Weele, 2014). The way of working can be improved by introducing carefully selected categories¹. These can be based on purchasing spend and prioritisation, e.g. potential cost-saving and feasibility of implementation (van Weele, 2014). The key to successfully taking advantage of category-based purchasing within an organisation lay in well-executed category planning, category sourcing and category implementation (van Weele, 2014). However, before any tactical sourcing activities can commence on the category level by the purchasing team, a carefully prepared formal *category sourcing plan* needs to be developed. This is often coordinated between cross-functional and cross-business teams, and should align with overall company strategy and customer needs (van Weele, 2014).

Clearly the planning phase plays a major role in how the rest of the category purchasing process will unfold. Therefore, it is one of the most critical steps for any company pursuing category sourcing. The planning phase might not always go as smooth as it should because conflicts of interest can occur internally between business units. For instance, van Weele (2014, pp.203-204) states that *“this makes the negotiations within the company often more difficult and time consuming than the ones that take place with the external suppliers”*. Having clear procedures for the category sourcing planning process can ease such friction and direct more focus toward end-customers and supplier relations rather than internal problem-solving.

IKEA Range & Supply is currently developing a new cross-organisational interface between internal stakeholders to enable a more formalised way of working with their category management process. For that reason, it is interesting to examine improvement potential in the IKEA-internal processes and documents related to developing and agreeing on category sourcing strategies.

1.2. IKEA

IKEA was founded by Ingvar Kamprad in 1943 as a mail-order business selling general products (IKEA, 2016C). The business evolved and grew drastically over the years, and today IKEA offers a unique concept for developing and retailing home furnishing products. IKEA has around 180 000 employees and 400 stores are distributed in 48 countries worldwide (IKEA, 2016A; IKEA, 2016B). IKEA's vision is *“to create a better everyday life for the many people”* through its business idea

¹ O'Brien (2015, p.6) distinguishes between direct categories (product-related, e.g. raw materials and components) and indirect categories (non-product-related, e.g. company services) to segment goods and services.

which is “to offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them” (IKEA, 2016A). The IKEA range approximately consists of 9.500 products and during FY16 sales reached EUR 34,2 billion (IKEA, 2016A). The business model builds on the simple idea that high volumes generate low costs, which in turn can lead to better products to even lower prices, consequently leading to higher sales volumes. Five dimensions permeate product design and are built into all developed products. IKEA call this Democratic Design, including form, quality, function, sustainability and low prices (IKEA, 2016A). To be able to deliver these attributes to customers while meeting their needs, wants and dreams is a challenge, and IKEA always strive to minimise the distance in the supply chain between customers downstream and suppliers upstream (IKEA, 2016C).

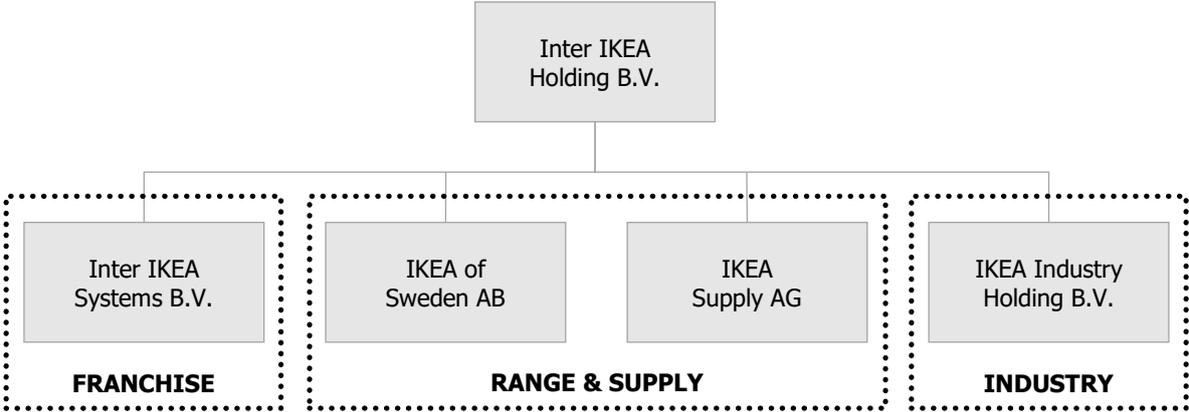


Figure 1.1: Overview of how Inter IKEA Group organise effective for FY17. Adapted based on IKEA (2017A).

The Inter IKEA Group comprises of three different core areas, namely IKEA Retail & Expansion (Franchise), IKEA Range & Supply and IKEA Industry, see Figure 1.1 (IKEA, 2016C). IKEA Range & Supply work with both touchpoints in the value chain, i.e. customers in all retail markets and suppliers, with the goal to develop the IKEA Offer and product range through five core activities. These activities are Range & Design, New Business & Innovation, Logistics, Purchasing and Commercial (IKEA, 2016C). These five core activities span over 10 different business areas (BAs), namely Livingroom & Workspaces (LWR); Bedroom & Bathroom (B&B); Kitchen & Dining (K&D); Children’s IKEA (CHD); Lighting & Home Smart (Lighting); Textiles; Cooking, Eating & Decoration (CED); Outdoor, Storage, Organisation & IKEA Family (OSOF); Free Range; and IKEA Food (IKEA, 2016C; IKEA, 2017A). In turn, the BAs consist of so called home furnishing businesses (HFBs) which are smaller units within the larger business units. For example, BA K&D is split into two HFBs called Kitchen and Dining respectively. See Figure 1.2 for an overview of how IKEA Range & Supply is structured.

The globally distributed purchasing teams in IKEA Range & Supply make their purchases for 9 purchasing operation areas (POAs), i.e. geographical regions, and work with around 1000 home furnishing suppliers in 50 countries (IKEA, 2016C). Purchasing is done within seven category areas based on material synergy, industry and way of working. The category areas are Comfort; Metal, Plastic & Float Glass; Flatline; Electronics; Specific HFB; Wood & Fibres; and Textiles (IKEA, 2016C). These seven category areas are further broken down into 34 categories which basically are organised in materials included in final products, see Figure 1.3. Clearly IKEA Range & Supply cover many different BAs/HFBs in a seemingly complex organisation which lead to

challenges in planning and coordinating purchasing activities for categories. IKEA is currently facing internal challenges in establishing a more formalised way of working across BAs/HFBs and categories.

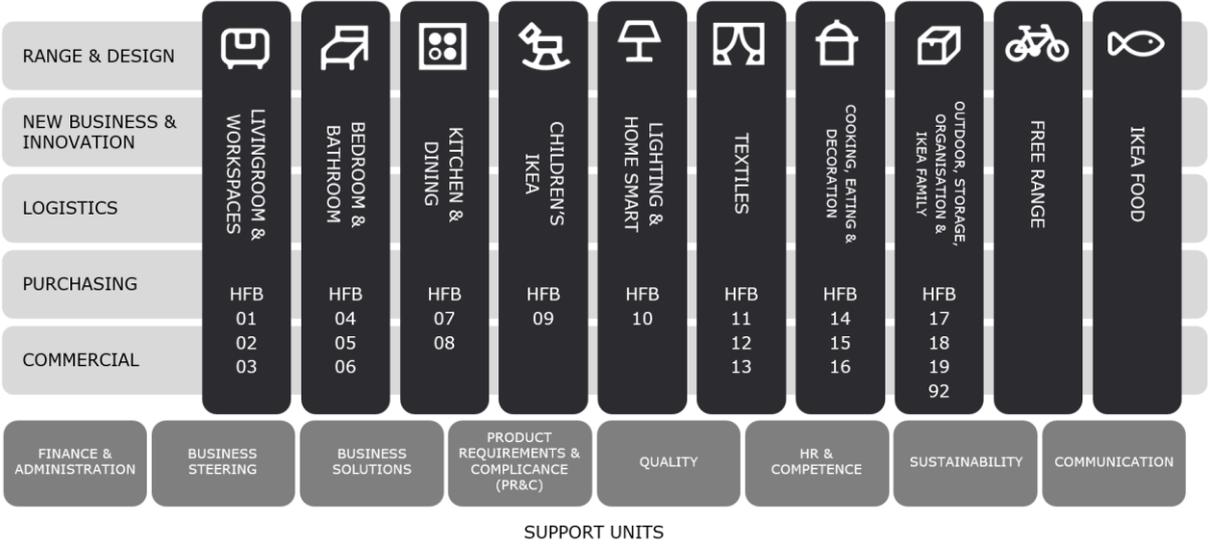


Figure 1.2: Overview of the IKEA Range & Supply organisation. Adapted based on IKEA (2016C).

1.3. Problem description²

Due to the many relations between 10 BAs, via 20 HFBs, and the 34 categories, it has become apparent that common ways of working are needed across IKEA’s Range & Supply organisation. In fact, a way more complex web exists in practice than what is depicted in Figure 1.3. Therefore, Sourcing Assignment has been introduced to structure cross-functional alignment between BAs/HFBs and categories. At IKEA, a Sourcing Assignment is defined as a documented handshake between a BA, via a Supply Chain Manager (SCM), and a category, via a Category Manager (CM), see Section 1.4 for an elaboration. Sourcing Assignment meetings usually do not only occur between two employees. Often several internal stakeholders with different roles contribute and participate from the Range & Supply organisation. Also, e.g. the SCM in BA B&B has relations with CMs in 25 different categories, and similar setups exist elsewhere in IKEA. Therefore, the Sourcing Assignment links depicted in Figure 1.3 is associated with people complexity as well.

Fundamentally, the BAs/HFBs lead IKEA’s business end-to-end through a business plan (BPL) and set the overall goals for purchasing. In turn, categories lead purchasing teams globally in the POAs on an operational level by developing the actual category sourcing plans, i.e. action plans (APLs) for individual suppliers. These are partly executed based on co-created Sourcing Assignments. It is vital that categories can combine sourcing needs from all BAs/HFBs they work with to exploit leverage in the supplier base. If Sourcing Assignments differ greatly a problematic situation can arise. Concerns have been raised whether categories, especially the ones working with multiple BAs/HFBs, will be able to optimise the value chain to a desired extent unless one common way of working with Sourcing Assignment becomes established within IKEA.

² Based on comments from the IKEA supervisors and interviewees.

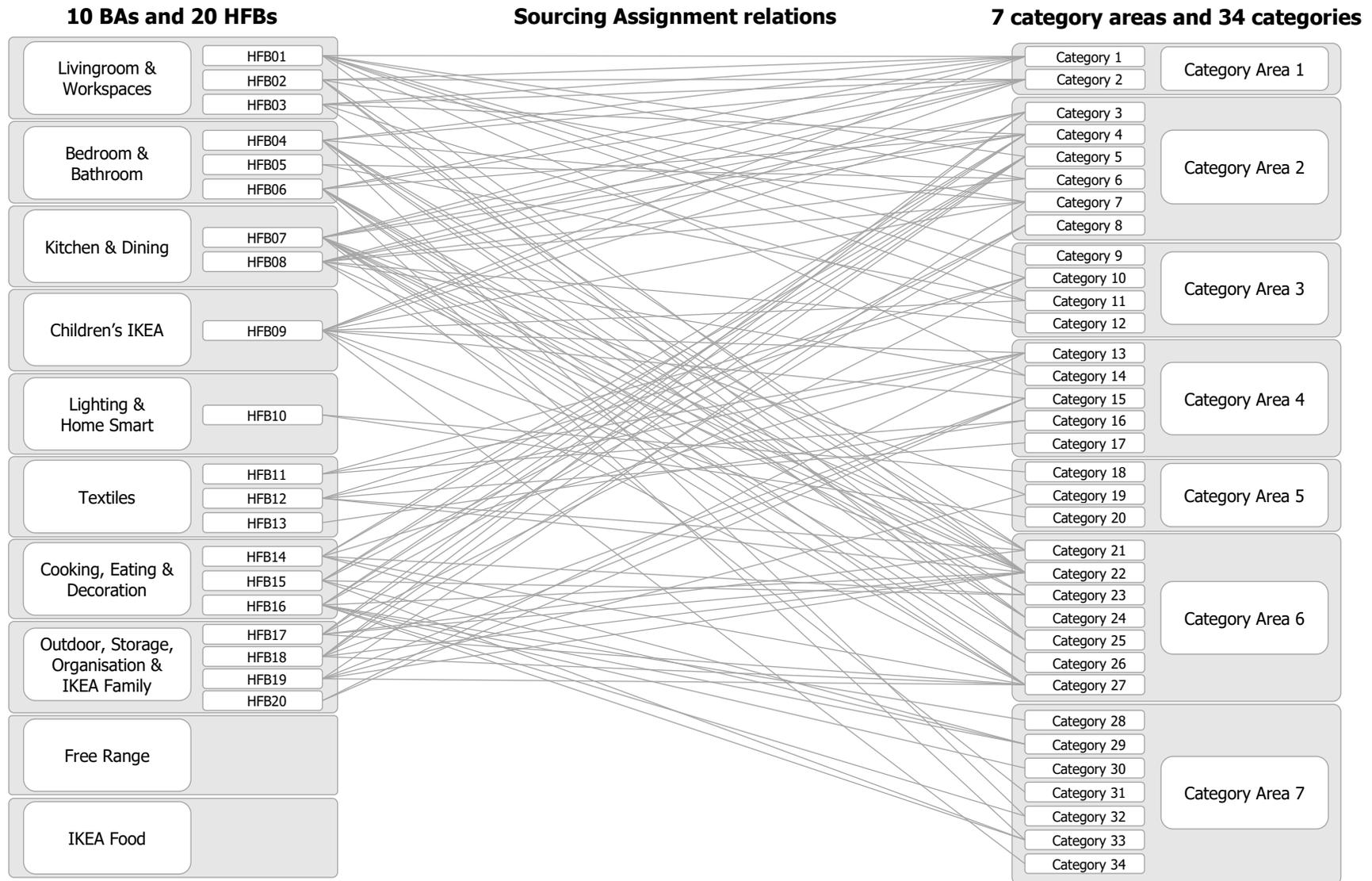


Figure 1.3: BA/HFB and category relations in IKEA Range & Supply subject for Sourcing Assignment. See Appendix 1 for details.

The main problem for IKEA related to Sourcing Assignment is that *each BA has started to interpret guidelines differently and implemented their own way of working and document template*. In a worst-case scenario, a CM might have 10 differently structured Sourcing Assignments to deal with, one from each BA. To further complicate the situation the internal power-dependency vary widely between different BAs and categories. For example, a certain category can make up a very small part of BA B&B's sales while internally the category allocates almost all purchase volumes to BA B&B. Therefore, the internal importance of Sourcing Assignment relations must be considered as well. In *Figure 1.3*, both perspectives are taken into consideration, i.e. relations above a certain share regarding total notified purchase in either HFB or category (or both) are shown.

It has become apparent at IKEA that the rather isolated BAs often do similar things. Overlaps occur with how other BAs structure their work processes but at the same time internal best practices can be difficult to detect. This is because individual Sourcing Assignments are created separately and independently from the rest. The setup described have led to misunderstandings in the internal communication and thus valuable time are spent on non-value adding problem-solving and administrative work instead of directed on the core business. The lack of a unified approach has started to lead to numerous ways of working with Sourcing Assignments. It has started to cause some confusion internally, especially from category viewpoint. Also, there seem to be a lack of understanding regarding how the proposed Sourcing Assignment process should be executed in practice due to the vague guidelines provided.

The major problem IKEA had before implementing Sourcing Assignment in spring 2016 was that interpersonal relations significantly influenced the workflow. This was often to the extent that replacing individuals could cause problematic transitions. If personal dynamics were lacking the risk of creating agreements not necessarily in IKEA's best interest was impending. No structured process in the internal cross-organisational interface was in place before Sourcing Assignments were introduced, but similar work was carried out informally between BAs/HFBs and categories. Therefore, a shift has commenced towards more standardised processes of how to conduct work across the internal IKEA organisation between SCMs, representing BAs, and CMs, representing categories. A step in this vision is to improve the current Sourcing Assignment process and document template by finding a best practice that all SCMs and CMs should use.

1.4. Sourcing Assignment³

A Sourcing Assignment is an internal agreement that can be illustrated by the links between HFBs and categories within the system depicted in *Figure 1.3*. The BAs role is basically to lead IKEA's business and, via HFBs, take the lead when creating Sourcing Assignments. All HFBs develop BPLs through the common *ONE IKEA BPL process* based on analysis of the needs of the customers and all other parts of the value chain. The HFB BPLs are then approved by top management in business councils (BCs) arranged within IKEA. Once approved, the Sourcing Assignment is created as an internal cross-organisational agreement between BAs/HFBs and categories treating how to work toward fulfilling, among others, the HFB BPLs. In turn, Sourcing Assignment agreements become input for category sourcing plans created by categories, i.e. category BPLs and category APLs. Categories' role is basically to lead purchasing by developing the sourcing plans and execute them in globally distributed business development teams.

³ Based on the Sourcing Assignment starter package, see *Appendix 6*, interviewees and IKEA (2017A).

Sourcing Assignments *should not* be viewed as a one-way communication or assignment that is handed over from HFBs to categories. In a sense, it is a common BPL/APL mutually agreed between HFBs and categories that treats how IKEA can reach business goals by jointly turning shared information into sourcing goals. Both the BAs and categories are supposed to share the same responsibility for Sourcing Assignments by creating optimal conditions for full availability at lowest cost, optimal sourcing and close cooperation in the product development process (DPOP). When SCMs and CMs agree in Sourcing Assignment it is up to categories to deliver a supplier base with the right capabilities and capacities to secure an optimal sourcing setup for each market. See *Figure 1.4* for a schematic overview of Sourcing Assignment in relation to *some* internal processes and documents.

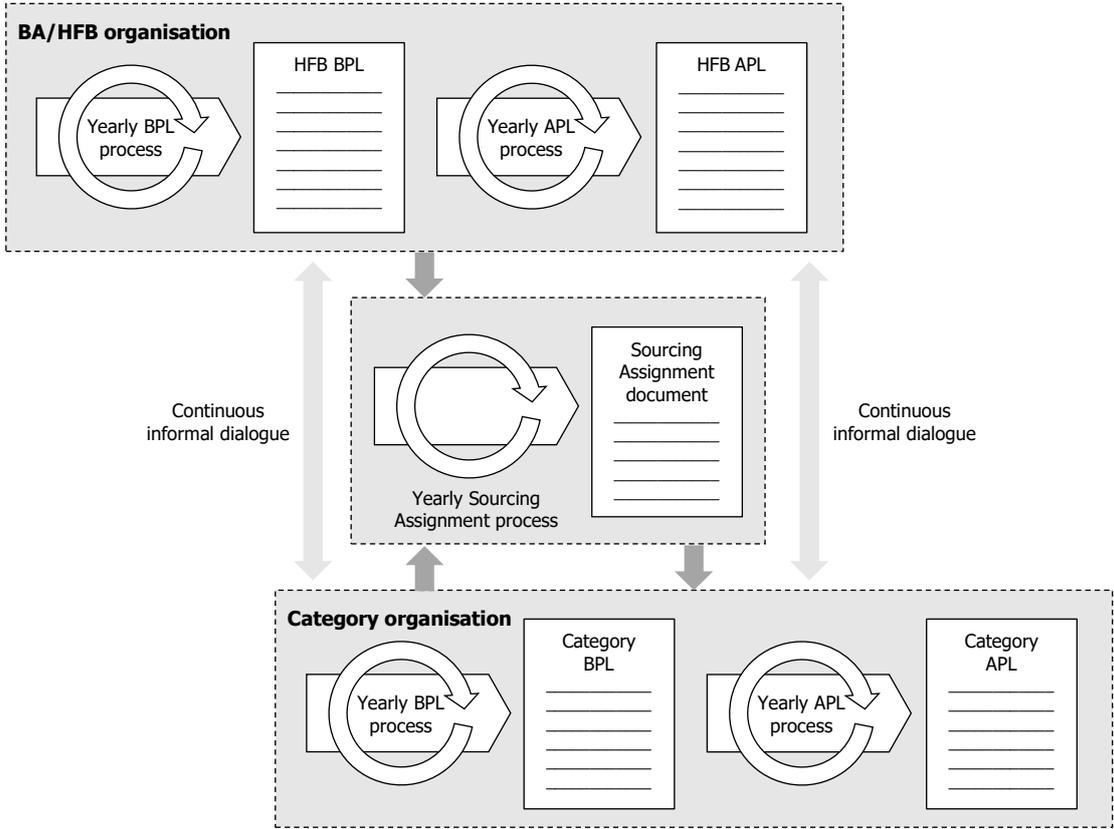


Figure 1.4: Sourcing Assignment depicted as a common BPL/APL focusing on tactical time horizon.

As it is today a Sourcing Assignments can include background information about, and agreements on, for example current performance and KPIs, range and growth plans, long-term demand plans (LTPs), sourcing and category plans, balance of sales and supply, business insights and focus areas, capacity needs and commitments, shared solutions, quality, product improvement potential, material and technique development, commercial calendar and sales plans, logistics, supplier base/landscape, business contingency planning (BCP), sustainability, cost reductions etc. The topics mentioned are a non-exhaustive list and content covered in Sourcing Assignments are context specific for certain BA/HFB and category relations. The purpose with Sourcing Assignment states that “the assignment is the documented deliverables between the SCM in the BA and the CM of the respective category which they should deliver during the respective FYs. The assignment includes to secure capacities and deliver the defined Sourcing KPIs within the Sourcing

Assignment which covers a 3-year plan.” (IKEA, 2017A). Also, follow-up meetings are supposed to be held regularly to check whether defined sourcing KPIs are reached over time as specified.

Currently, IKEA only has distributed high-level guidelines internally how to work with Sourcing Assignments. These briefly concern how the work process could be carried out and what content documents should focus on in the tactical horizon, i.e. in 18-36 months, and strategic horizon, i.e. in 3-5 years. Sourcing Assignment focus on tactical level, but the strategic as well as the operational levels are also supposed to be discussed. The tactical perspective should treat *detailed* content for range and growth plans, as well as the running range, to utilise capacities. On the other hand, the strategic perspective should treat *high-level* content for range and growth plans to build or reduce production capacities. Operational performance, i.e. in 0-18 months, related to capacities should be covered in the existing BCP process and regular performance follow-up and deviation handling. Clearly, Sourcing Assignments are very capacity focused in the originally suggested work method.

Only a few documents have been distributed internally to guide the work in a *Sourcing Assignment starter package (status quo)*, that was created in 2015. It included a rough concept description of what a Sourcing Assignment is, accompanied with a suggested business calendar and meeting structures for decision making, a checklist and an example document template. See *Appendix 6* for some internally communicated status quo content. The example Sourcing Assignment template provided was made between BA Lighting and Category 20. Because BA Lighting only has relations with a very limited number of categories it did not reflect the Sourcing Assignment complexity many BAs and categories face that well, see *Figure 1.3*. Status quo included documents common for all BAs, HFBs, category areas and categories, and therefore all involved internal stakeholders initially received the same information. During autumn 2015, some Sourcing Assignment pilots were introduced between a few selected categories and BAs. By March 2016, Sourcing Assignments were supposed to be ready for all categories above a specified no-go criterion, and by October 2016 an evaluation of ways of working with Sourcing Assignments should have been conducted. However, currently IKEA is not catching up with the original Sourcing Assignment plans.

Each Sourcing Assignment formulated between various SCMs and CMs, and several other internal stakeholders within IKEA, are subject to own interpretations by the involved participants due to the freedom given in creating them. However, a proposed no-go criterion for Sourcing Assignments was communicated initially. It stated that if both the HFB and the category had a mutual limited impact internally on each other, i.e. below 5% purchase volume in *both* HFB and category, a minimum level of Sourcing Assignment could be agreed upon between the SCM and CM. For instance, that only a need forecast was handed over from HFBs. The freedom concerned both the content to include in Sourcing Assignments, but also how work should be planned during the year and who to involve. IKEA has outlined a rough rolling year-cycle for Sourcing Assignments with two suggested checkpoints. The year cycle in *Figure 1.5* was updated in January 2017 with minor changes to the original version, see *Appendix 6*. Two meetings were suggested as official Sourcing Assignment meetings, one during spring in week 8 which BAs/HFBs should lead via the SCMs, and one in the autumn in week 40 which categories should lead via the CMs. The content incorporated into Sourcing Assignments is stemming from day-to-day work happening throughout IKEA’s various yearly business cycles. Therefore, Sourcing Assignments

cannot be studied in isolation, and a more extensive outline of the context underlying Sourcing Assignments within IKEA is presented in Section 4.2.

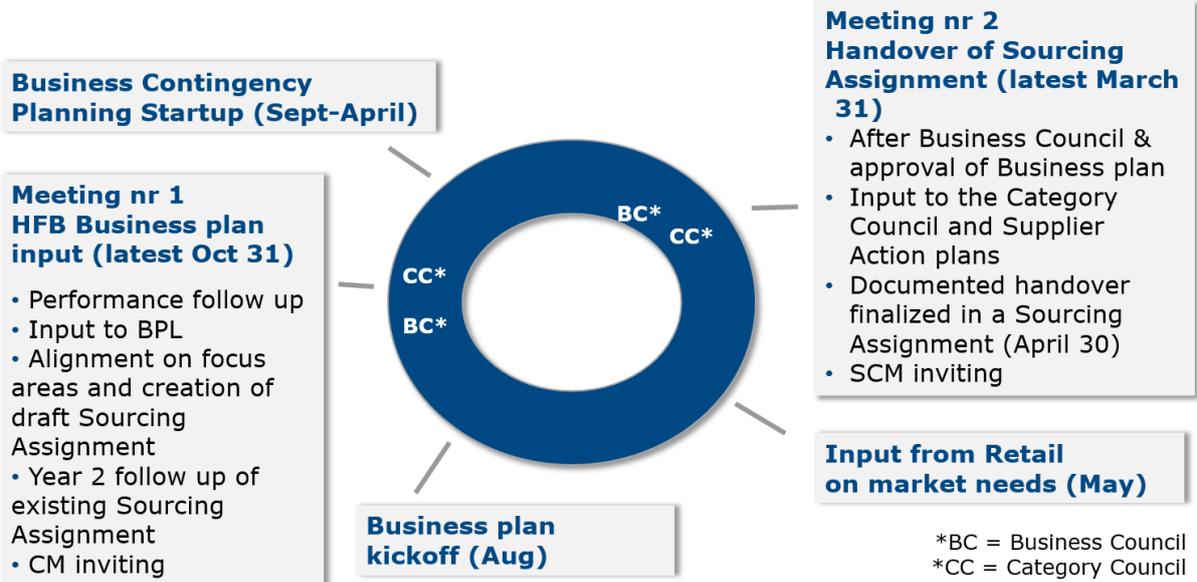


Figure 1.5: Year cycle for Sourcing Assignments communicated internally.

Status quo contained suggested meeting types, agendas, attendees and frequencies connected to Sourcing Assignment meetings. Four meeting types were proposed to be held once a year. The meetings concern the ONE IKEA BPL, strategic alignment, tactical alignment and operational alignment between BAs/HFBs and categories. For example, the ONE IKEA BPL meeting should result in input on IKEA’s future direction, the strategic alignment meeting in decisions whether to build-up, down-size or convert capacities, and the tactical alignment meeting in an updated business council (BC), category council (CC), range plans, growth plans, and the Sourcing Assignment itself. The operational alignment meeting should secure that there exists a connection between Sourcing Assignments and category BPLs/APLs for purchasing operations as well as Sourcing Assignment follow-ups. Hence, Sourcing Assignment is an integrated part of several different meetings, either directly or indirectly. While agreements are in place within the Sourcing Assignment framework, it is the SCM’s responsibility to secure that categories are updated if deviations occur in BAs/HFBs. Also, the CMs are responsible to let BAs/HFBs know whether agreed performance deviate from the agreement. Categories can receive multiple Sourcing Assignments from numerous BAs and in such cases, it is the category that is responsible to align with IKEA Components, IKEA Industry and BA Free Range when relevant.

In addition to Sourcing Assignments, IKEA has Material & Innovation Development (M&ID) Assignments and Shared Solutions Development (DSS) Assignments. The M&ID Assignment aims to develop new innovative materials with Democratic Design in mind and works closely with categories. The purpose is to find synergies in the common development portfolio across the organisation. The DSS Assignment aims to develop solutions for the product development platform that can be used across BAs/HFBs and IKEA’s product range. However, these assignments are not directly part of Sourcing Assignments but instead act as underlying processes and documents giving input to the entire BA/HFB and category organisation and consequently indirectly to Sourcing Assignments. The master’s thesis will only focus on Sourcing Assignments.

1.5. Purpose and research questions

The purpose with this master's thesis is to develop and recommend an improved way of working with Sourcing Assignment, i.e. the process and document template, so that IKEA can work more structured and aligned with Sourcing Assignment in the future.

The following research questions (RQ) will be answered:

1. How is IKEA working with Sourcing Assignment today?
2. What is current internal best practice⁴ for IKEA's Sourcing Assignment?
3. How can IKEA improve Sourcing Assignment and why?

1.6. Directives and delimitations

The directive from IKEA was summarised in three concise objectives, namely to:

1. Analyse the as-is situation in dialogue with categories
2. Benchmark best practice
3. Propose template and process

The expected deliverable is supposed to help IKEA in establishing updated Sourcing Assignments with categories. In accordance with the IKEA supervisors an initial selection of BAs/HFBs as well as categories to include was determined. Sourcing Assignments for these relations served as starting point for the empirical data collection. IKEA did not set any restrictions regarding data collection within the IKEA Range & Supply organisation. The author has expanded the initial case selection to cover a broader scope for the internal benchmark of ways of working with Sourcing Assignment. Confidential internal information has been removed or marked with X.

The main delimitation concerns the implementation phase of recommendations. Following the constructive research approach, described thoroughly in *Section 2.2*, imply that implementation is a cornerstone of the chosen research approach. The author arranged a meeting to discuss the developed construct to improve practical usefulness for IKEA. The Purchasing Development Manager assistant as well as both BA/HFB representatives and category representatives were present. Parts of the proposed new document template was also tested in one of BA B&B's real Sourcing Assignment meetings. Another delimitation is that only Sourcing Assignment will be studied meaning that e.g. M&ID Assignment and DSS Assignment are out of scope.

1.7. Target group

The primary target group for this master's thesis is SCMs and CMs as well as other IKEA employees working hands-on with Sourcing Assignments such as SDMs, SDs, CSSs etc., i.e. practitioners doing the practical work. Part of the primary target group is also IKEA management, e.g. Purchasing Development Manager, that leads IKEA's strategic landscape and core processes on a higher level which Sourcing Assignments are an integrated part of. The internal benchmark and recommendations is therefore directed both toward "shop floor workers" and management.

The secondary target group is academic researchers in related fields like category management, strategic sourcing and business processes. Adding insights from a real-world context to a scarcely investigated academic literature stream can hopefully contribute to future theory building.

⁴ Internal best practice concern both the way of working (i.e. process) and document template.

1.8. Report outline

Chapter 1: Introduction

This chapter introduces the reader to the IKEA Range & Supply organisation and describes the problem formulation for IKEA which this master's thesis addresses. Further, Sourcing Assignments are explained to facilitate the readers understanding of the phenomenon studied. The chapter concludes by specifying the purpose, research questions, directives and delimitations as well as target group.

Chapter 2: Methodology

The methodology chapter presents how the master's thesis is conducted and why. The literature review is highlighted showing that equivalents of Sourcing Assignments are scarcely treated in the academic literature. The constructive research approach is chosen with influences of inductive and qualitative elements. Further, the multiple case research method is motivated and the two units of analysis are specified, namely the Sourcing Assignment process and document. Finally, research design quality issues to consider is discussed to improve trustworthiness.

Chapter 3: Theoretical frame of reference

Highlights from the literature review are presented before academic literature surrounding the two units of analysis, like process-based business development, category management and strategic sourcing, are elaborated upon. A research model capturing how the empirical data and cross-case analysis are conducted to perform the internal benchmark concludes the chapter.

Chapter 4: Empirical data

First, the structure of the extensive multiple case descriptions, found in its entirety in *Appendix 1*, is outlined. The case descriptions primarily aim to answer RQ1. Then, the underlying context within IKEA Range & Supply which Sourcing Assignment is related to is described so the reader can understand the whole picture.

Chapter 5: Cross-case analysis

The case descriptions from *Appendix 1* are analysed against each other in a cross-case analysis aiming to identify elements to include in a best practice both regarding the Sourcing Assignment process and document. Processes and documents related to Sourcing Assignment is briefly analysed as well. The chapter tries to answer primarily RQ2 and partly RQ3.

Chapter 6: Developed construct

The recommendations to IKEA, i.e. suggestions to improve the way of working with a two-level Sourcing Assignment framework and a proposed new document template, are motivated and RQ3 is answered. The new document template in the form of a Sourcing Assignment handbook can be found in *Appendix 7*.

Chapter 7: Testing the construct

Two qualitative tests were conducted on the construct to improve it. Parts of the construct were tested in a real Sourcing Assignment meeting. Also, the construct and handbook was presented in a discussion meeting including previously interviewed employees invited for commenting.

Chapter 8: Conclusion

Answers to the RQs are summarised. Further, the contribution to IKEA and theory, limitations and future research are elaborated upon in this chapter.

2. Methodology

This chapter presents the research methodology and methods, i.e. how this master's thesis was carried out and why. An overview of different research methodologies and methods discussed in academic literature are compared to be able to select the most suitable for this study. It is critical that the research approach has scientific basis to ensure high trustworthiness throughout the entire work process as well as generating valid, credible and reliable end-results. Having a clear process to follow when approaching research projects can therefore help guiding the research forward in a logical and trustworthy way. Next, the scientific approach, research approach, literature review, research process, research method, data collection and data analysis are elaborated upon before concluding with a discussion about research design quality. An overview of the methodology chapter is presented in Figure 2.1 with the chosen path for the master's thesis marked in grey.

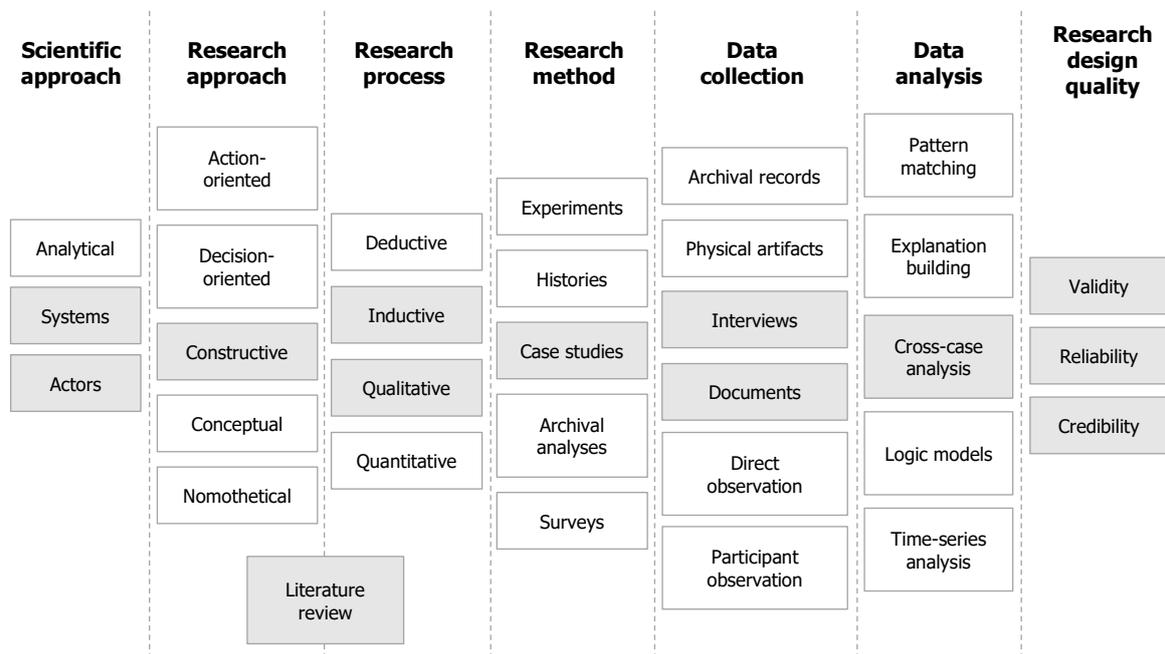


Figure 2.1: Overview of different approaches and methods discussed in this chapter and the chosen path marked in grey.

2.1. Scientific approach

Because the underlying characteristics within logistics research have mainly been based on realism and positivistic approaches, the logistics discipline has traditionally generated a narrow and often uniform research agenda resulting in similar input and output (Gammelgaard, 2004). Arbner and Bjerke (2009) suggest a methodological framework consisting of three scientific approaches, namely the analytical, systems and actors approach, as a mean to broaden logistics research. The approaches have differing reality views and the researcher takes on slightly different roles in each of them (Gammelgaard, 2004). The approaches are discussed next to be able to make an informed choice about which that is best in line with the authors fundamental view on realities and preferred ways of working. Argumentation that motivates the chosen systems approach, partly including the actors approach, is provided as well. Figure 2.2 gives an overview of how the three scientific approaches view reality and how they are related to each other.

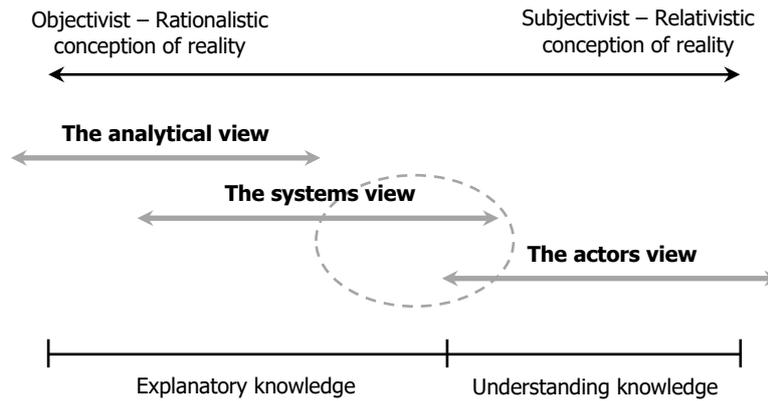


Figure 2.2: The analytical, systems and actors approaches reality view and a positioning of how this master's thesis will view the units of analysis. Adapted based on Arbnor and Bjerke (2009).

2.1.1. Analytical approach

The analytical approach stem from the positivistic paradigm which mean that the world is viewed as being objective, tangible and possible to split up into fragmented parts with causal relations explaining reality, waiting to be revealed through research (Gammelgaard, 2004, pp.479-480). In other words, the world is viewed as being made up of parts and the sum of the parts constitute the exact whole, not more not less (Arbnor & Bjerke, 2009). Further, the researcher should keep distance from, and not interact with, the unit of analysis to prevent that it is altered and distorted. Consequently, giving an incorrect rendering of reality which in turn lead to a false description of the truth. Typically, cause and effect relations are discovered by stating hypotheses which are tested and either confirmed or dismissed to form universal rules (Gammelgaard, 2004). This approach is of analytical nature which suggest that quantitative methods based on statistical data analysis are suitable to describe concepts and their relations as facts of existence grounded in an atomistic and fact-filled worldview (Gammelgaard, 2004; Arbnor & Bjerke, 2009).

2.1.2. Systems approach

The systems approach is based on systems theory, holism and structuralism which propose, on the contrary to the analytical approach, that the world should be viewed holistically as interrelated elements which are connected to each other (Gammelgaard, 2004; Arbnor & Bjerke, 2009). In other words, the world is viewed as parts, or systems, but the sum of the whole can be more (or less) than the value of its individual parts due to synergy effects (Arbnor & Bjerke, 2009). Usually the systems approach's theoretical viewpoint is to come up with models or recommendations incorporating normative perspectives by mapping or modelling data (Gammelgaard, 2004). The researcher's aim is to improve the unit of analysis, not just observe and confirm an objective reality but instead disclose and explain how it is kept together via linkages, boundaries, sub-systems and feedback mechanisms in context-specific ways (Gammelgaard, 2004; Arbnor & Bjerke, 2009). To be able to do this in a pragmatic way, the studied object must be intensely interacted with since the main objective with the systems approach is to improve systems in practice (Gammelgaard, 2004). An ideal method to do this is through case studies, either quantitatively or qualitatively, which are then compared to each other so that a practical problem solution can be obtained.

2.1.3. Actors approach

The actors approach originates from meta-theories in sociology, and opposed to being based on an objective reality the view is socially dependent (Gammelgaard, 2004). The researcher's own subjective interpretation of reality is considered and therefore results are more based on inner personal experience rather than impersonal facts. This approach is highly contextual by nature since people's intentions with the unit of analysis within a given context often overrides the universal rules and cause-effect relations (Gammelgaard, 2004). Therefore, qualitative methods are preferred over quantitative to understand peoples' underlying intentions with the unit of analysis and why it appears as it does (Arbnor & Bjerke, 2009). The researcher should take part of the process itself to be able to make an analysis based on own interpretations (Gammelgaard, 2004). However, according to Gammelgaard (2004), the actors approach will most likely not replace any of the other two approaches in logistics research but can serve as a complement so that the practical importance of the research improves.

2.1.4. Choice of scientific approach

Based on the descriptions of the analytical, systems and actors approach, the systems and actors approaches seem to be most relevant for the study. The purpose is to propose recommendations to IKEA. These will mostly be based on qualitative data collection methods and analysis, which is in line with the systems approach. Also, the aim of the systems approach is to somehow improve the unit of analysis in practice by understanding linkages, which is the case with Sourcing Assignments. A case-based research method, where the researcher is free to interact with the unit of analysis seems most appropriate as well. It is of interest to know the underlying intentions of the Sourcing Assignments since the studied object resides within an organisation and intends to facilitate internal strategic category sourcing processes where many IKEA employees are involved. Therefore, an explanation to why Sourcing Assignments appear as they currently do within IKEA, is closely connected to people's intentions with them. Consequently, the researcher need to interpret those intentions to get a good understanding of the practical context and current work practice. Influences of the actors approach is therefore unavoidable and in fact highly relevant. Also, a close examination of the Sourcing Assignment process will be necessary to undertake, in accordance with an actors approach, to come up with practically valuable and working recommendations. To conclude, the author will put emphasis on the systems approach but elements of the actors approach will be incorporated into the scientific approach because it is believed to improve the recommendations practical applicability for IKEA. As *Figure 2.2* shows, the positioning for this master's thesis emphasises the need to both explain and understand Sourcing Assignments.

2.2. Research approach

A variety of research approaches⁵ exist as methodologies, for instance the conceptual, decision-oriented, nomothetical, action-oriented and constructive approach (Kasanen *et al*, 1993). The main differentiating characteristics between these research approaches are whether they are descriptive or normative, and theoretical or empirical, as illustrated in *Figure 2.3*. The constructive research approach (CRA) seems to be most suitable since the study conducted at IKEA will be of normative and empirical nature. Data collection will mostly be done qualitatively by interviews and documentation as well as case-based with relatively few in-depth data sample points. Also,

⁵ That is the consciously made reasoning when engaging in scientific research.

the purpose with the study is to propose process and document improvements for how IKEA can work better with Sourcing Assignments, consequently fulfilling the aim with the CRA which is to solve problems by constructing organisational procedures, models and plans (Kasanen *et al*, 1993). Applying the CRA to management accounting research have aimed at developing managerial constructs especially intended to solve problems that occur in the daily operations within an organisation (Kasanen *et al*, 1993). This is also the desired purpose from IKEA’s side and since the CRA has been frequently used and proved to work in other fields than management accounting it is reasonable to assume it could suit the sourcing context at IKEA as well.

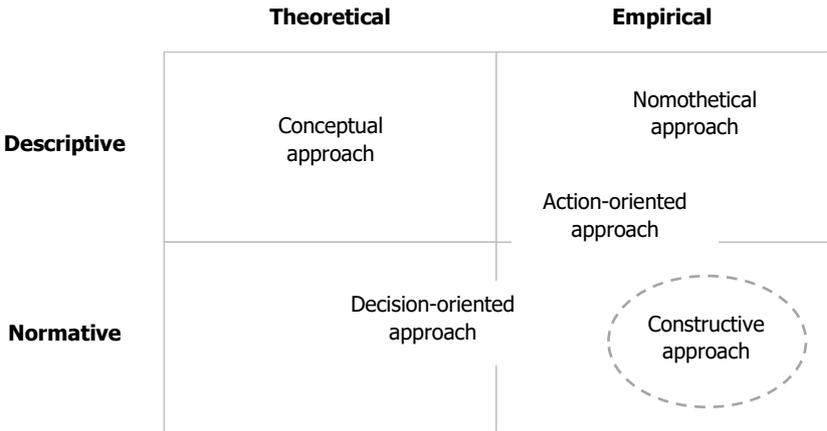


Figure 2.3: Overview of different research approaches and how they are positioned regarding descriptive and normative characteristics compared to theoretical and empirical characteristics. Adapted based on Kasanen *et al* (1993).

2.2.1. Constructive research approach (CRA)

The CRA aim at creating innovative output to be applied in real-world settings while adding to the academic theory within the field of study (Lukka, 2003). Since the purpose of the study is to develop something new that can be applied within IKEA, the two aspects of novelty and context are fulfilled. Lukka (2003) points out a few required key aspects, summarised in *Figure 2.4*, that characterise a CRA. The real-world problem which will be solved should be interesting enough to invest resources into, and consequently lead to an innovative solution, or construct, implemented in practice (Lukka, 2003). Therefore, practical relevance must be identified and practical functioning of the construct is necessary to strive for. Constructive research should always connect with existing academic theory and try to contribute back by expanding the body of knowledge and therefore explicit attention will be payed to theoretical inclusion, to the extent possible. The CRA naturally incorporates both the practical viewpoint, that IKEA is mostly interested in, and the theoretical viewpoint, that academic research can take advantage of.

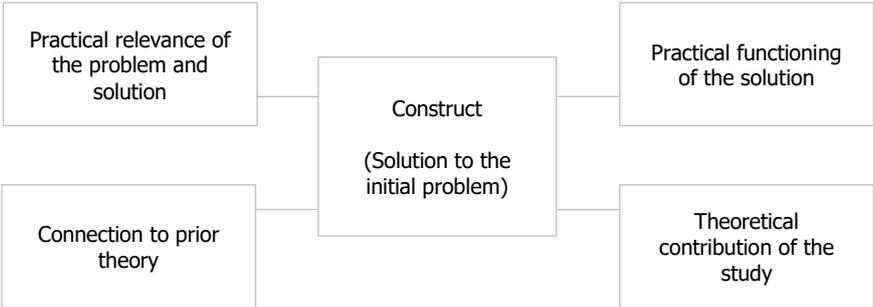


Figure 2.4: A CRA emphasis practical relevance and theoretical connection. Adapted based on Lukka (2003).

Generally, a new solution should always try to be implemented, or at least tested, in the intended use-context to evaluate its usefulness and potential. In the case of recommending improvements for internal processes at IKEA, the only way to know whether they work or not would be to test the applicability in practice during some time, preferably the BA/HFB and category year cycles presented in *Figure 4.6*. This can result in valuable observations of how the solution perform when it is used in daily work under authentic circumstances, and implications of necessary adjustments can be detected as well. The researcher is probably more likely to obtain a reliable and actionable solution if it is empirically proven and fine-tuned. Kasanen *et al* (1993) propose three levels of *market tests* when testing the construct, namely a weak market test (adopted within an organisation), a semi-strong market test (adopted by other companies) and a strong market test (adopted by other companies generating systematically improved financial results).

None of these market tests will be possible to conduct and assess within the scope of the study. Therefore, a complementary viewpoint is taken on relevance tests for the CRA construct. The relevance diamond described by Rautiainen *et al* (2016) and illustrated in *Figure 2.5*, can help the author reach sufficient discussion of the relevance, due to lack of true implementation, of the proposed recommendations. Both decision relevance (x-axis) and value relevance (y-axis) of the construct are included and relevance are subjectively and qualitatively determined which fit the study well (Rautiainen *et al*, 2016). Moreover, in addition to practical and theoretical relevance the instrumental perspective adds the insight of how operations within IKEA can improve in the short-term while the legitimitive perspective directs attention to whether stakeholder, i.e. internal stakeholders at IKEA, and societal support are relevant (Rautiainen *et al*, 2016). This additional framework can facilitate in conducting primarily Step 4 until Step 7 of the CRA approach applied to IKEA, see *Figure 2.8* in *Section 2.2.4* for the process steps.

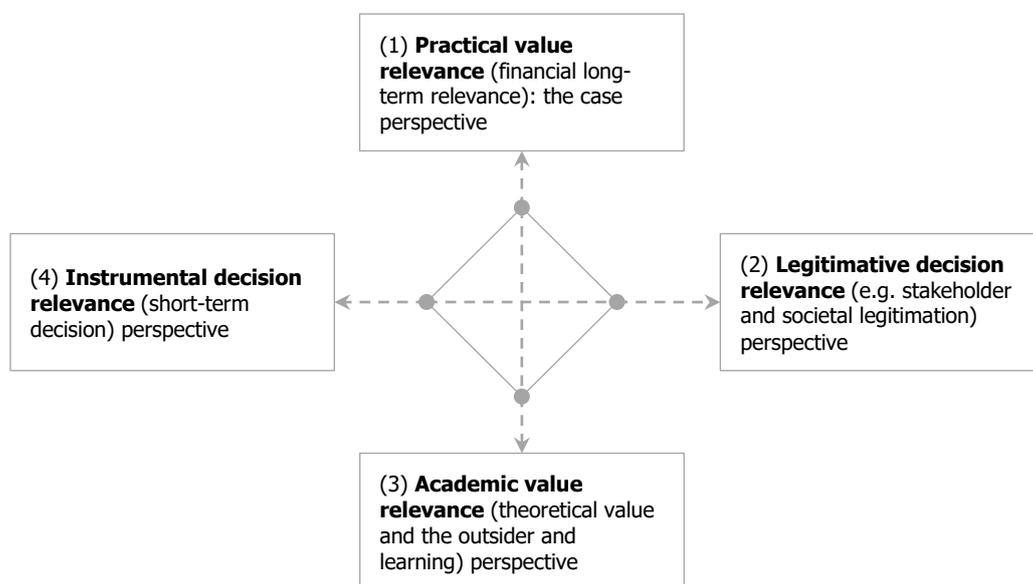


Figure 2.5: The relevance diamond summarising the relevance perspectives for a construct resulting from a CRA project. Adapted based on Rautiainen *et al* (2016).

2.2.2. Literature review

Before proceeding to describe the applied CRA, the literature review is explained and its findings are presented. Rowley and Slack (2004, p.31) state that “a literature review needs to draw on and

evaluate a range of different types of sources including academic and professional journals, books, and web-based resources". Basically, according to Rowley and Slack (2004, p.32), a literature review helps in:

- Supporting the identification of a research topic, question or hypothesis
- Identifying the literature to which the research will make a contribution, and contextualising the research within that literature
- Building an understanding of theoretical concepts and terminology
- Facilitating the building of a bibliography or list of the sources that have been consulted
- Suggesting research methods that might be useful
- Analysing and interpreting results

Performing a literature review is fundamental in all research because it is necessary to get insight about the existing knowledge within the field of study and the up-to-date state of the art. Preferably the core of it is built up based on peer reviewed academic articles found in research and scholarly journals (Rowley & Slack, 2004). It might not be obvious how to best tackle and structure a literature review, and therefore it can be a good idea to follow a certain technique, or a combination of them, such as brief-search, citation pearl growing, building blocks or successive fractions (Rowley & Slack, 2004). Brief-search is a way to quickly retrieve documents based on keywords. Citation pearl growing starts by examining a few documents and based on relevant content identified within them expand the search. Building blocks widens the search by using synonyms and similar terms as the initially used search words. Successive fractions on the other hand is used to reduce vast amounts of documents to deal with a more workable material (Rowley & Slack, 2004). The literature review mainly consisted of the citation pearl growing and building blocks techniques.

2.2.2.1. Citation pearl growing

First, a brief-search was performed in a few databases which resulted in *very limited* number of directly relevant hits of Sourcing Assignment equivalents in the context of purchasing, see *Table 2.2*. This concerned both the company-internal preparatory process leading up to a category sourcing plan and the content such internal confidential tactical/strategic documents can contain. Only a handful of useful material was identified, mainly from consultancy firms selling in solutions and some empty sourcing plan document templates, but not much academic literature. Also, mostly information regarding category management in retail was found, not category management in a purchasing context.

Therefore, as a starting point, a citation pearl growing approach was used to expand the search. Relevant journals in the fields of purchasing, logistics and supply chain management were *scanned manually*. The article content of each volume and issue for a selected time-period was examined. First the headings of the academic articles were reviewed and if articles seemed relevant based on that the abstract was read through. The entire article was scanned if the abstract seemed relevant. If articles were still interesting the sources outlined in the main body of text and in the reference list were checked as well, i.e. a backward search. In that way, the author could build up a first understanding of the current research related to documents and processes related to category sourcing plans and category management in purchasing. It also helped in identifying potential keywords, later used in the building blocks technique. See *Table 2.1* for a summary of *somewhat*

relevant articles found. Due to the practical nature of category sourcing plans in category management for purchasing, only a few relevant articles studying the subject were found.

*Table 2.1: An overview of somewhat relevant articles for the unit of analysis found after manually searching through and scanning a selection of academic journals. *Related to retail.*

Journal	Publisher	Reviewed volumes and issues/numbers	Articles	Reference(s)
Benchmarking: An International Journal (BIJ)	Emerald	Volume 6 Issue 1 (1999) – Volume 24 Issue 4 (2017)	0	–
Business Process Management Journal (BPMJ)	Emerald	Volume 3 Issue 1 (1997) – Volume 23 Issue 4 (2017)	0	–
International Journal of Integrated Supply Management (IJISM)	Inderscience	Volume 1 Number 1 (2004) Volume 11 Number 1 (2017)	1*	(Lindblom <i>et al</i> , 2009)
International Journal of Logistics Management (IJLM)	Emerald	Volume 1 Issue 1 (1990) – Volume 28 Issue 2 (2017)	0	–
International Journal of Logistics Systems and Management (IJLSM)	Inderscience	Volume 1 Number 1 (2004) – Volume 27 Number 2 (2017)	0	–
International Journal of Physical Distribution & Logistics Management (IJPDLM)	Emerald	Volume 35 Issue 1 (2005) – Volume 47 Issue 5 (2017)	0	–
International Journal of Process Management and Benchmarking (IJPMB)	Inderscience	Volume 1 Number 1 (2005) – Volume 7 Number 2 (2017)	0	–
International Journal of Procurement Management (IJPM)	Inderscience	Volume 1 Number 1 (2007) – Volume 10 Number 3 (2017)	1	(Hesping & Schiele, 2016)
Journal of Global Operations and Strategic Sourcing	Emerald	Volume 10 Issue 1 (2017) – Volume 10 Issue 2 (2017)	0	–
Journal of Purchasing and Supply Management (JPSM)	Elsevier	Volume 9 Issue 1 (2003) – Volume 23 Issue 2 (2017)	3	(Ates <i>et al</i> , 2015) (Hesping & Schiele, 2015) (Moses & Åhlström, 2008)
Journal of Supply Chain Management (JSCM)	Wiley	Volume 35 Issue 1 (1999) – Volume 53 Issue 2 (2017)	0	–
Supply Chain Management: An International Journal (SCM:IJ)	Emerald	Volume 1 Issue 1 (1996) – Volume 22 Issue 1 (2017)	1	(Cox, 2015)

2.2.2.2. Building blocks

A keyword search was done in line with the building blocks technique in a few selected databases. Mainly scholarly peer reviewed articles published in journals and books were searched for but also other types of documents were included (e.g. consultancy documents and governmental templates). If relevant articles were found in databases that offered forward search the cross-referenced articles were scanned as well. See *Table 2.2* for an overview of the keyword search results. Limited academic literature was found addressing category management in purchasing and documents corresponding to Sourcing Assignment.

Table 2.2: An overview of keywords searches made in databases and the results.

Databases	Keyword combinations	(Somewhat) relevant references
Google Google Scholar EBSCOhost	Sourcing Assignment Internal alignment [agreement] document Internal sourcing contract Sourcing strategy document [Strategic] source plan Category [sourcing] plan [planning] [process] Sourcing categories Strategic sourcing planning [process] [Purchase] category strategy [development] [process] Category management [purchasing] [procurement] Category management process Procurement process plan Category organisation Strategic sourcing plan	(Ates, 2014) (Capgemini, 2013) (Carlsson, 2015) (Cox, 2014) (Hesping, 2015) (O'Brien, 2015) (Schuch <i>et al</i> , 2017) (Semanič & Sollish, 2011)

2.2.3. Inductive research process within CRA

The CRA emphasise in its research process that the research should be founded in prior theoretical literature. However, due to the lack of literature studying the equivalent of Sourcing Assignments, and more generally internal processes for managing category sourcing strategies, more focus will be on observing empirics at IKEA. Then, based on it builds theory rather than relying on linking empirics back to an extensively developed theoretical framework based on academic literature. For that reason, an extensive theory chapter was not developed before performing interviews because it was unclear prior to the data collection what was really meant by a Sourcing Assignment within IKEA. Björklund and Paulsson (2014, p.68) state that “*induction implies starting in reality and attempting to discover patterns that can be summarised in models and theories*”. Therefore, the inductive approach is more suitable to follow than a strictly deductive approach. Kovács and Spens (2005) point out that deductive positivistic research dominates logistics research and that there is a need for more inductive research. They continue to say that case studies often use qualitative research methods such as grounded theory which per definition rely on an inductive approach. The main difference between a case-result-rule based inductive research approach and a rule-case-result based deductive research approach is shown in Figure 2.6 (Kovács & Spens, 2005).

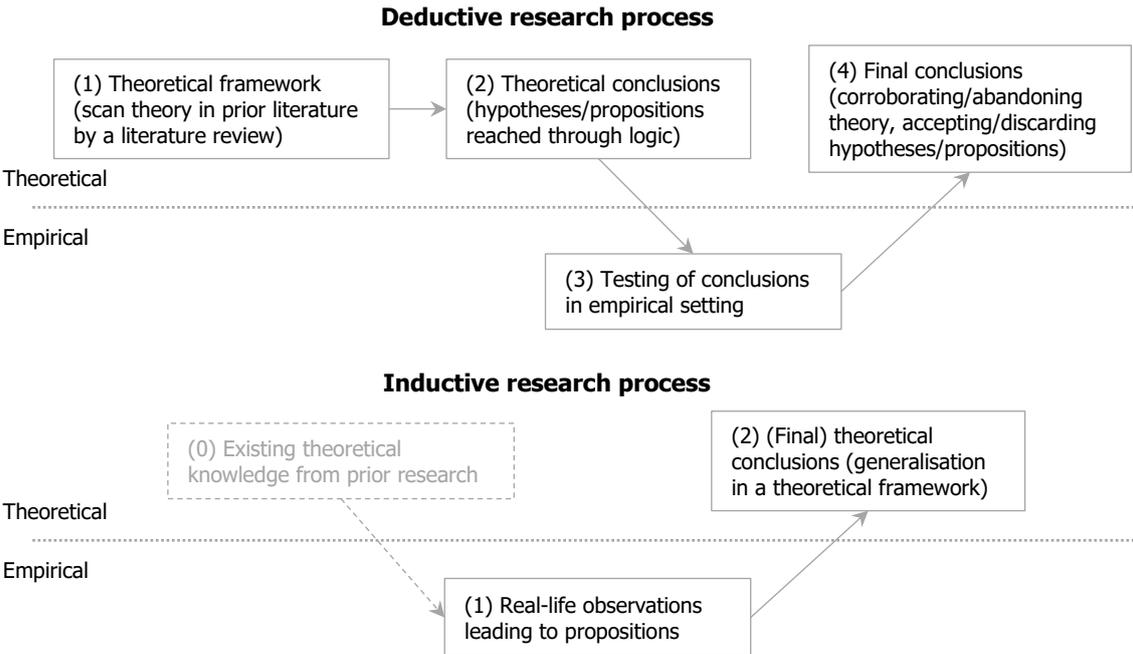


Figure 2.6: The deductive and inductive research processes. Adapted based on Kovács and Spens (2005).

Randall and Mello (2012, p.869) state that grounded theory with its inductive nature mostly rely on qualitative data analysis methods of e.g. interview material while pointing out that “*both grounded theory and case study researchers typically combine a variety of data collection methods gathered in a field setting to yield theory*”. In addition to this, “*grounded theory provides research results that are understandable to practitioners because the findings are grounded in the practitioners’ experience*” (Randall & Mello, 2012, p.876). It is of utmost concern for the IKEA employees to understand the recommendations because it will perhaps serve as basis for further internal discussion about usefulness, improvement and implementation. Therefore, it makes sense to take a starting point in line with inductive research by early on making real-life observations of the current internal

procedures. However, taking this starting point does not mean that the deductive point of view cannot be incorporated as well, like Golicic *et al* (2005) propose, depicted in *Figure 2.7*. To conclude, an inductive view, inspired by grounded theory, with influences of the deductive research process, will be pursued within the CRA.

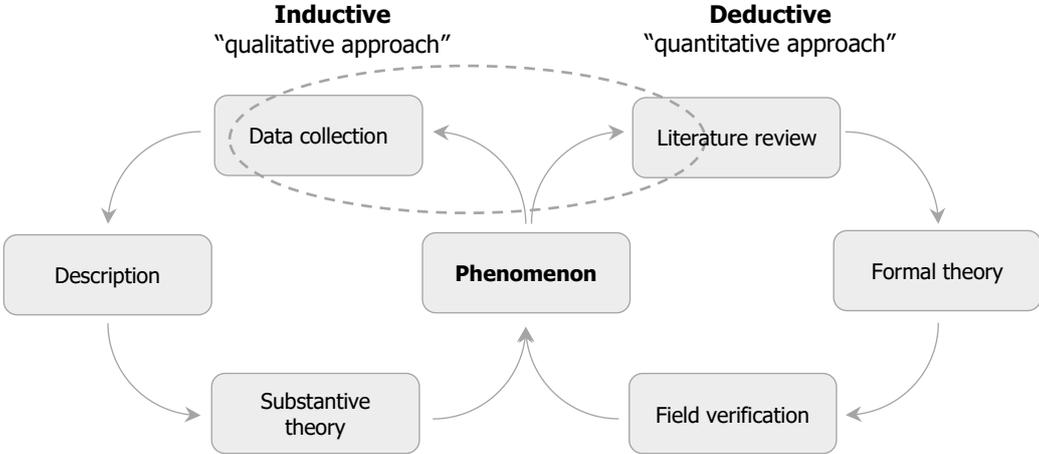


Figure 2.7: The starting point for the master’s thesis will be of inductive nature but deductive elements are included as well in a more balanced approach. Adapted based on Golicic *et al* (2005).

2.2.4. Applying the CRA

The CRA process developed by Lukka (2003) and depicted in *Figure 2.8* acts as a basis, inspiration and rough guideline for carrying out the research objective at IKEA.

2.2.4.1. Find relevant problem

The first step concern finding a relevant problem both for IKEA and theory development. As described in the problem formulation a potential problem area has been identified within IKEA for Sourcing Assignment agreements. The practical relevance is therefore obvious. Lukka (2003) points out that an ideal research topic should be relevant for practitioners while at the same time limited prior investigation appear in the literature. The literature review in *Section 2.2.2* show that there seems to be a gap until this date in the theoretical analysis for strategy development at the category level of purchasing. Hopefully, a valuable contribution to literature within a previously not that extensively analysed focus area in the strategic sourcing field can be achieved.

2.2.4.2. Establish cooperation

Lukka (2003) states that the relationship between researcher and practitioners at the host company need to be highly cooperative by nature, otherwise the learning exchange might not be satisfactory enough to produce a meaningful output. Good relations are a crucial prerequisite to enable researchers to gather fruitful empirical data, which in turn is fundamental for an experimentally oriented constructive study (Lukka, 2003). Therefore, a well-functioning relation that is based on continuous interaction must be established with IKEA to be able to perform a thorough in-depth analysis. The author and IKEA agreed at an early stage on the requirements and availability of necessary resources to enable gathering of empirical and qualitative data throughout the entire project. This concerned for example access to IKEA facilities, a laptop with access to the intranet, documentation concerning Sourcing Assignments, an e-mail to contact IKEA-employees and book meeting rooms. Lukka (2003) means that a major research challenge

to overcome is convincing the host company to sufficiently invest and commit into the project, and that even great innovative ideas and recommendations, i.e. the research output, often are less likely to be truly implemented in practice. Therefore, the possibilities for theoretical contribution, in the sense of ensuring that findings can be published when the research project is finished, need to be tackled from the start (Lukka, 2003). Both parties entered formal agreements regarding such matters as well.

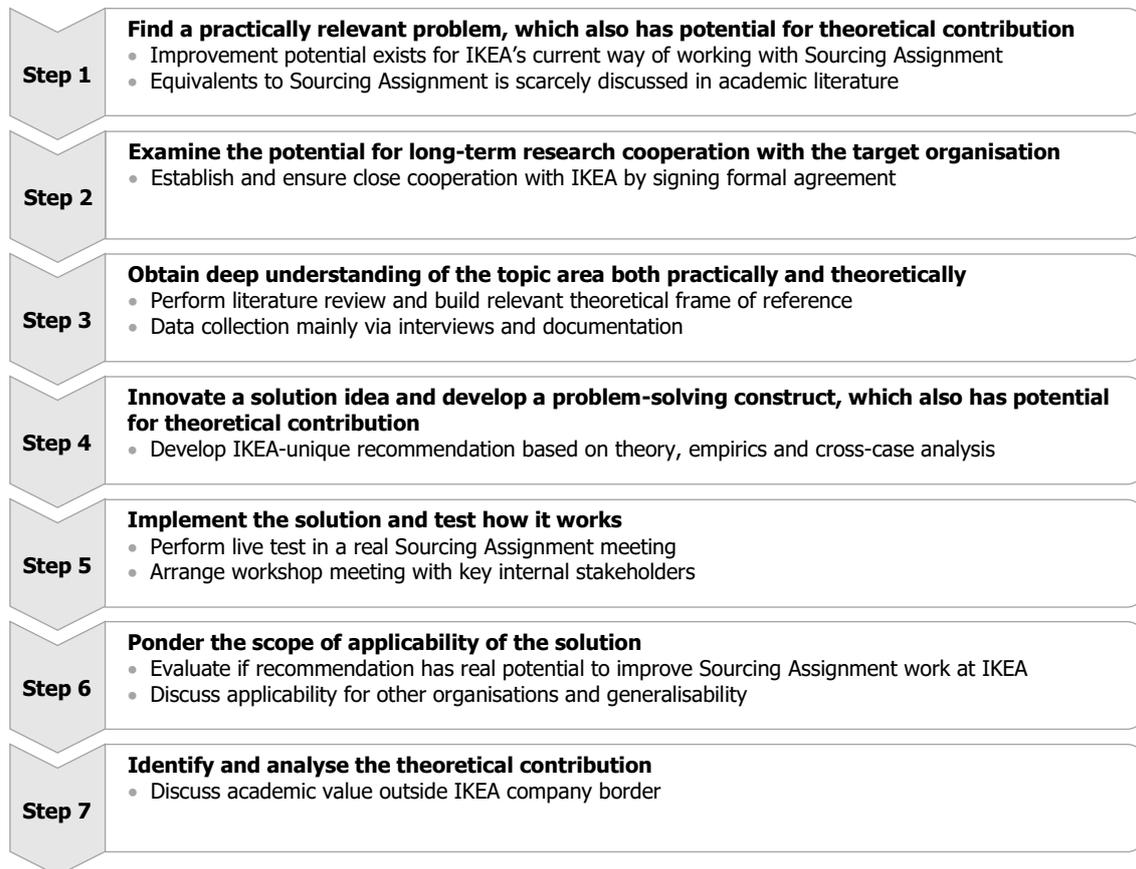


Figure 2.8: The CRA process steps applied at IKEA. Adapted based on Lukka (2003).

2.2.4.3. Obtain understanding

The key to meaningful research lies in deep understanding and knowledge of both the practical reality and prior theoretical studies (Lukka, 2003). Only then can a precise and complete description of the as-is situation be specified and related to the academic world in a fair way. A literature review of relevant research fields surrounding the main unit of analysis, see *Figure 3.1*, was undertaken to get a broad theoretical foundation of knowledge to be integrated. The purely inductive research process suggests that no prior view at theory is necessary before starting to gather empirics. However, to be able to pose relevant interview questions and appear credible in approaching people about Sourcing Assignments, a thorough understanding of processes in general and category management was needed. Compare with the inductive versus deductive balanced approach in *Figure 2.7*. A lot of time was spent on developing a methodology and method that ideally fits the project to ensure build-up and capture of necessary knowledge. As the CRA is of academic character rather than consultancy-like, the inclusion of theory plays a vital role, both to base the research on but also to be able to determine what theoretical

contribution the study yield and how it can facilitate future research (Lukka, 2003). A combination of data collection methods, elaborated upon in *Section 2.4*, was used to get the full picture of current ways of working internally with Sourcing Assignments at IKEA and the underlying context. Extensive amounts of interview data was covered in the internal benchmark.

2.2.4.4. Develop construct

The creation stage is mature enough to be commenced when a profound level of understanding has been reached so that input from practitioners and theoretical frameworks, concepts and thoughts can be intertwined. Lukka (2003) points out that the CRA does not intend to bring in an already existing or pre-made solution to solve the problem at hand. Therefore, attention will especially be payed to try and come up with customised recommendations for IKEA's needs rather than just suggesting a pre-packaged off-the-shelf solution. Such a solution does probably not exist anyways. Interview input from IKEA employees is essential to help disclose critical bottlenecks in the internal processes and can direct the authors attention to certain focus areas. To prevent interviewees from adapting answers due to other internal stakeholders being present, one-to-one interviewees were arranged in almost all cases. The intention with this was to prevent the phenomenon of groupthink or group conformity. Viewpoints from both BAs/HFBs and categories were captured but in separate meetings. A multiple-case study was performed to capture the most significant relations in *Figure 1.3* spanning different types of BAs/HFBs and categories. To better anchor recommendations with IKEA-employees' experiences from working hands-on with Sourcing Assignments, a part of interviews was devoted to ask about a desired way of working. Interactive group meetings were only arranged to gather feedback on the developed construct as it was expected to jointly surface insights about the conducted internal benchmark. It was also a way to share the master's thesis main conclusions with the primary target group. Besides interviews, internal documentation was reviewed by the author to make own interpretations prior to meeting IKEA-employees. With the empirical data as foundation the construct was developed by anchoring recommendations in academic literature.

2.2.4.5. Implement solution

Lukka (2003) highlights the implementation stage as one of the main features of the CRA. The implementation phase will not be possible to go through to a desired extent, due to time limitations of the master's thesis and scope of the project from IKEA's perspective. However, a test-run or try-out of the recommendation was carried out in a workshop with IKEA employees. It serves as a pre-market test, i.e. before the first market test Kasanen *et al* (1993) propose, to at least get an impression of its usefulness and internal validity in the intended real-world setting. It is worth to point out that it is up to IKEA to later determine what to do with the suggested recommendations and therefore an implementation is not realistic before IKEA have taken a standpoint about applicability and practical value of recommendations. However, a workshop meeting was arranged with previously contacted IKEA employees, namely the Purchasing Development Manager assistant as well as BA/HFB and category employees, to discuss main conclusions of the internal benchmark. Also, a test of a new suggested document template was conducted on one of BA B&B's Sourcing Assignment meetings.

2.2.4.6. Applicability of solution

A learning reflection is always valuable after a completed research project. Lukka (2003) highlights that the suggested recommendations could be discussed and evaluated regarding

whether the applicability can be extended, with some modifications, to other organisations, i.e. if it would be externally useful. Since the suggested new document template and process will be based on, and fitted to the IKEA organisation, it is hard to know if other organisations could benefit of the innovative construct. The applicability analysis will therefore mostly be focusing on the internal IKEA organisation rather than extend it to other companies. The internal possibilities to scale up the standardised processes are more interesting for the host company than to extend the scope outside company borders. However, regarding generalisability Kasanen *et al* (1993) stress that, even though the CRA often is based on small samples, what is working in one company is likely to do so in another similar one as well. Also, other companies can always learn or get new insights from a working process used in a similar context as their own.

2.2.4.7. Theoretical contribution

The concluding step of the CRA aim at identifying the theoretical contributions of the construct and research project in general. A discussion is held about the theoretical value of the solution and how theory can build on and benefit from the results. The CRA usually contribute to theory in primarily two ways, either through the new suggested solution itself or by positive relations underlying it, leading to “*development of a new theory, the refinement of an existing one, its testing, or its illustration*”, where a refinement often is the case (Lukka, 2003, p.90). The theoretical contribution is mainly the construct itself in the form of suggested process improvements and an updated document template.

2.3. Research method

Yin (2014) highlights that several different research methods exist in the social sciences such as surveys, experiments, histories, archival analyses and case studies. Different research methods are more suitable in some circumstances than others depending on the objective of the research and which research questions that is sought to be answered. The nature of the studied events, i.e. whether they are contemporary rather than historical, and the necessary extent of control over behavioural events also play a role which research method that should be chosen, see *Table 2.3* (Yin, 2014). If the goal is a more explanatory study of a phenomenon, in this case the Sourcing Assignments, and if “*how*” and “*why*” research questions need answer, qualitative methods like case studies, histories or experiments are more appropriate (Ellram, 1996; Yin, 2014).

The research questions that will be answered in the thesis, see *Section 1.5*, are connected to *how* IKEA currently work with Sourcing Assignments and *how* they should do it in the future and *why*. A research question aiming to answer *what* best practice looks like internally at IKEA will also be answered. Therefore, case studies seem appropriate based on research objectives and research questions. In addition to going through documentation, it will be necessary to conduct interviews with IKEA employees to describe how Sourcing Assignments procedures look like today and up until the point in time when the study take place. Also, a case study seems more appropriate over other alternatives since it can handle many sources of evidence and since the author will not have any control over the unit of analysis but instead take more of an observational standpoint (Yin, 2014). The case study research method will therefore be the main research method.

Table 2.3: Overview of common research methods in the social sciences and when they are suitable to use (Yin, 2014).

Research method	Form of research question	Requires control of behavioural events?	Focuses on contemporary events?
Experiment	How, Why?	Yes	Yes
Survey	Who, What, Where, How many, How much?	No	Yes
Archival analyses	Who, What, Where, How many, How much?	No	Yes/No
History	How, Why?	No	No
Case study	How, Why?	No	Yes

2.3.1. Single-case or multiple-case

Maybe one of the most interesting concerns regarding case studies, according to Ellram (1996), is whether results from small sample studies can be generalisable. A single-case would be suitable to study if it is critical, extreme or unique by nature and the case cannot be replicated easily or if new ground-breaking revelations are expected which previously was not known or accessible (Ellram, 1996). Yin (2014) means that a single-case study can be relevant if the case is critical, unusual, common, revelatory or longitudinal. Of course, a very carefully crafted single-case design is needed to reduce chances of errors and false impressions which could lead to invalidation of all the resulting findings. Multiple-cases would on the other hand be suitable when conducting similar case replications which are expected to result in either similar patterns among the cases (literal replication) or conflicting but foreseeable and explainable discoveries when comparing the cases (theoretical replication) (Ellram, 1996; Yin, 2014).

It was obvious from the start that a multiple-case research method would be followed to perform an internal benchmark and find IKEA best practice for Sourcing Assignments. The question quickly arose how many cases that were necessary to include for the replication procedure to generalise results. Ellram (1996) suggests that between 6 and 10 cases should be enough to draw sound conclusions about whether original assumptions can be validated or not. There will be limited hypothesis and propositions about what to expect of the Sourcing Assignments because the study will take more of an inductive research approach. Nevertheless, a goal was set prior to commencing with data collection to conduct around 6 case studies. As there will be time restrictions for the internal IKEA case studies, especially for interviews, it might be difficult to reach a desired number of cases greater than 6. More cases were not desired from the authors viewpoint due to risk of empirical data overload. The research method will be of Type 4, see *Figure 2.9*, meaning that multiple units of analysis will be examined in a multiple-case design (Yin, 2014). Next, the two units of analysis are explained.

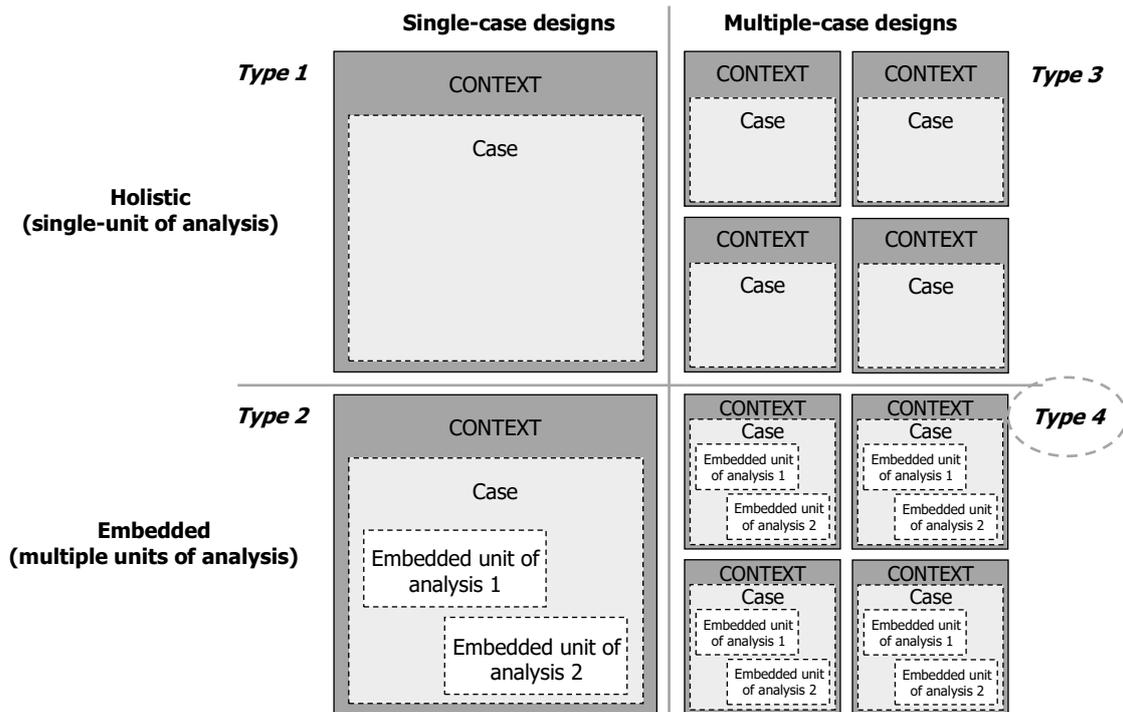


Figure 2.9: Four different types of design within the case research method and the chosen embedded multiple-case design. Adapted based on (Yin, 2014).

2.3.2. Multiple units of analysis

Two units of analysis will be examined within each case. Since a Sourcing Assignment is a documented handshake per definition there should exist documentation for each BA/HFB and category relation, at least over the 5% no-go criterion. Therefore, one unit of analysis will be the structure and content of Sourcing Assignment documents. The other unit of analysis is the work process or current way of working underlying each Sourcing Assignment, i.e. the process leading to the document as output. See Figure 2.10 for an illustrative representation of the two units of analysis, i.e. Sourcing Assignment process and document. The circular process symbol emphasises that it is as a rolling yearly business cycle that is connected to Sourcing Assignments, not a linear one-time process. Underlying the two units of analysis is the unique Sourcing Assignment case context as well as the overall IKEA way of working context.

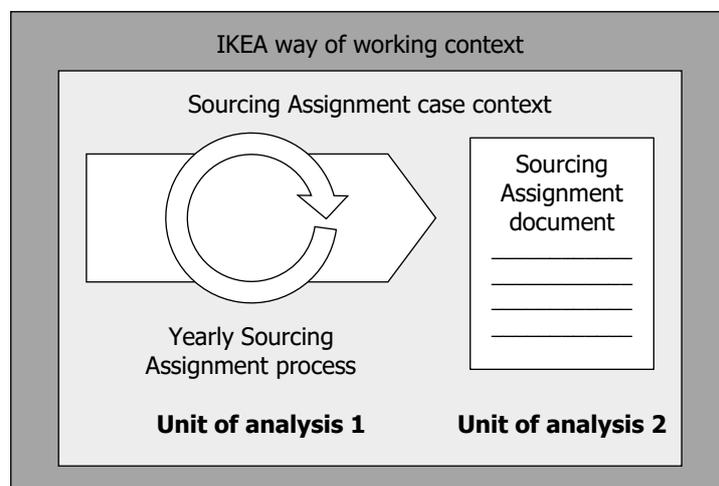


Figure 2.10: Process and document, the two units of analysis.

2.3.3. Multiple-case selection criteria

Usually, when selecting samples to study a few samples are randomly selected from a set of possibilities in a larger population (Voss *et al*, 2002), which would correspond to randomly selecting Sourcing Assignments among all linkages outlined in *Figure 1.3*. This approach would not be suitable when doing case studies since “*when building theory from case studies, case selection using replication logic rather than sampling logic should be used*” (Voss *et al*, 2002, p.203). For that reason, a thought-through selection of both differing (theoretical replication) and similar (literal replication) cases, i.e. relations between BAs/HFBs and categories, was made. See *Figure 2.11* below for an overview of the 6 cases that data collection *from interviews* capture.

First, a selection among the 10 BAs was made. BA Free Range and BA IKEA Food were excluded because their special way of working with categories. 6 of the remaining 8 BAs were included. A wide selection was made to cherry-pick better and prevent recommendations ending up being too context specific and therefore not applicable to scale up in other parts of the IKEA organisation. An objective set out from IKEA was to find internal best practice which required a thorough selection of BAs. A limited sample of relations accounting for critical purchase volumes within IKEA was chosen for further examination. Sourcing Assignments do not exist for all intended relations above the 5% no-go criterion and especially not for low-value linkages below. Therefore, only relations with Sourcing Assignments in place today were included. The few Sourcing Assignment relations that account for majority of a BA’s notified purchase tried to be included as they are more likely to be well-developed. Categories with different sourcing characteristics and internal importance to IKEA, based on total notified purchase value, were included as well. The internal power-dependency between HFBs and categories were also considered, i.e. both high-value high-percentage linkages and vice versa. The following selection criteria were used:

- Include pilots (black thick lines in *Figure 2.11*)
- Internal power-dependency (% share from both directions)
- Individual linkage values (total notified purchase value)
- Include categories with high and low impact on IKEA’s totality
- BA/HFB characteristics (e.g. product type) and category characteristics (e.g. material type)
- Availability of interviewees (primary data collection)
- Availability of documents (secondary data collection)

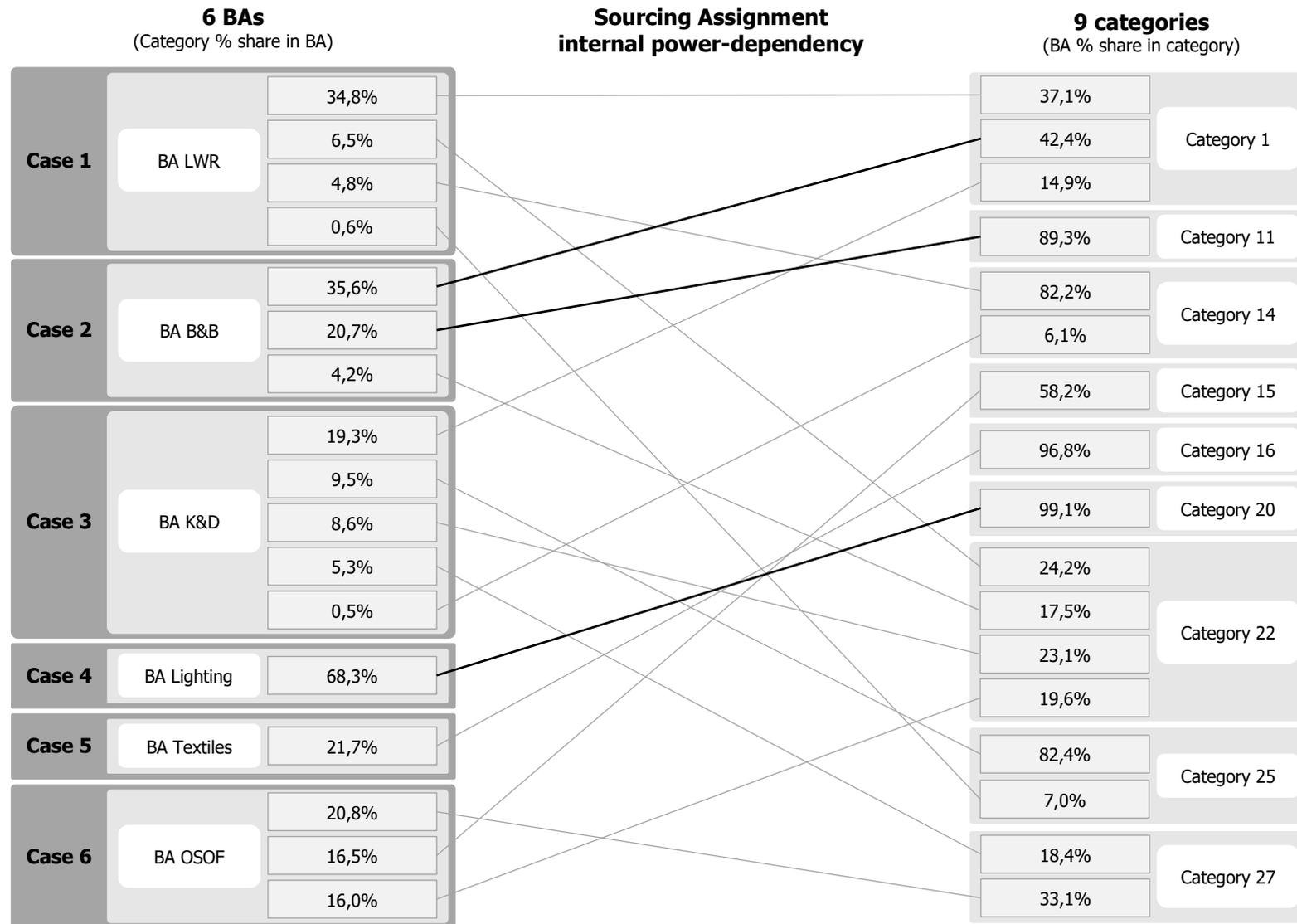


Figure 2.11: An overview of the 6 cases and the internal power-dependency. Categories on the right-hand side are part of the different cases by connecting to the BAs.

2.3.4. Multiple-case design applied

The multiple-case research method was chosen to find IKEA-internal best practice. A slightly modified framework, based on Yin (2014), will be followed to find internal best practice for Sourcing Assignments at IKEA, see *Figure 2.12*. In the design and define phase emphasis is on selecting the cases and constructing the data collection protocol, found in *Appendix 4*. The cases were selected as described in *Section 2.3.3*. A first interview was arranged with an IKEA-employee that, together with a few other employees, developed the Sourcing Assignment concept in 2015 by creating the Sourcing Assignment starter package (status quo). Some useful insights were gained which served as foundation when developing the data collection protocol, i.e. interview guide. Input from the IKEA supervisors were incorporated into the interview guide as well. Some additional preparation, elaborated upon in *Section 2.4.1*, was made before moving on to the collect and analyse phase with the case-related interviews.

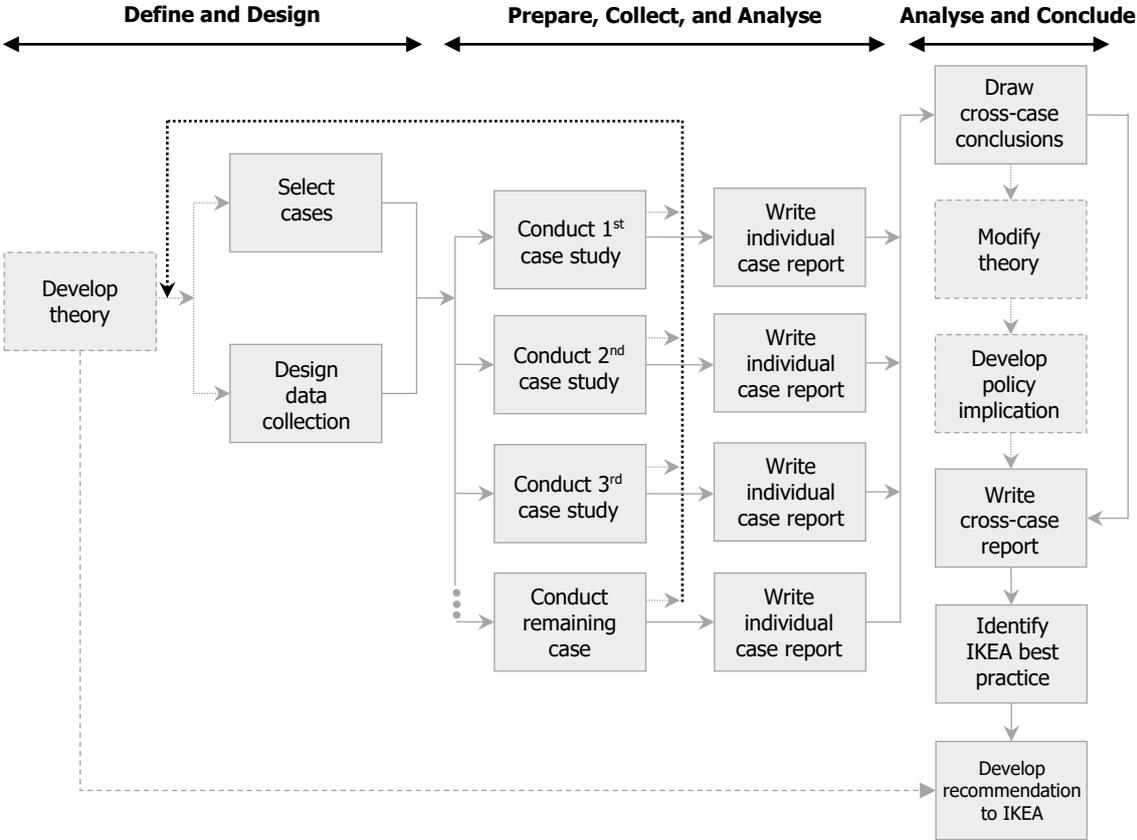


Figure 2.12: Multiple-case design applied to find best practice and develop recommendation. Adapted based on (Yin, 2014).

The empirical data for each case was compiled in individual case reports. These are the whole detailed case descriptions which can be found in *Appendix 1*. A case can include many linkages which mean that one Sourcing Assignment link *does not* necessarily equal a case. Instead a case is defined as either one (for Case 3, Case 4 and Case 5) or two (for Case 1, Case 2 and Case 6) of a BA’s category relations formalised via Sourcing Assignments. For example, BA B&B’s two Sourcing Assignment relations with Category 1 and Category 11 constitutes Case 2. However, since BAs were given responsibility to take the lead when Sourcing Assignments were launched in 2016 it meant that most categories became receivers of different BAs’ ways of working and document templates. Both units of analysis, i.e. the Sourcing Assignment process and document,

are therefore strongly connected to how the BAs decided to approach categories. For that reason, the cases depend heavily on the BA perspective. Interviews with category representatives concern comments on the two units of analysis as well as more general viewpoints.

The cross-case analysis was done based on the individual case reports which capture how different BAs and categories work with Sourcing Assignments, i.e. the as-is situation at IKEA regarding different work processes and document templates. Based on the cross-case analysis an IKEA-internal best practice, or rather cherry-picking of good examples and desired ways of working, was identified from the internal benchmark. The author remained open to inclusion during the entire data collection phase. If hints were given to interview certain categories or employees the master’s thesis scope was expanded if it felt relevant to do so. Yin (2014) means that if a case study does not fit the multiple-case design it can be necessary to move back to redefine and redesign, see black dotted line in *Figure 2.12*. The selection criteria outlined in *Section 2.3.3* are believed to ensure that useful Sourcing Assignment cases are examined which prevents a completely reformulated multiple-case definition and design. Of course, some additions and redirection of focus was made to the initial interview guide as the data collection phase progressed. A synthesis was made with academic theory to develop the final recommendations to IKEA in the form of suggested process/way of working improvements and a Sourcing Assignment document template.

2.4. Data collection

As a qualitative case study research method is most suitable, appropriate qualitative data collection methods are necessary to follow. Ellram (1996) points out that triangulation techniques can result in more valid results and that primarily three qualitative data collection types are typical for case studies, namely direct observation, indirect observation and interviews. Moreover, Yin (2014) states that case study evidence can come from documents, archival records, interviews, direct observation, participant-observation and physical artifacts. Documentation and interviews will be the two main empirical data sources. Strengths and weaknesses with each of the two data collection methods are presented in *Table 2.4*. Some quantitative data extracted from IKEA’s KPI system was used to better understand the background context for the mostly qualitative case descriptions. Before approaching interviewees, the author requested to take part of Sourcing Assignment documentation to ask more relevant questions.

Table 2.4: Strengths and weaknesses with interviews and documents as source of evidence. Adapted based on Yin (2014).

Source of evidence	Strengths	Weaknesses
Interviews (primary data)	<ul style="list-style-type: none"> • Targeted – focuses directly on case study topics • Insightful – provides explanation as well as personal views (e.g. perceptions, attitudes, and meanings) 	<ul style="list-style-type: none"> • Bias due to poorly articulated questions • Response bias • Inaccuracies due to poor recall • Reflexivity – interviewee give what the interviewer wants to hear
Documents (secondary data)	<ul style="list-style-type: none"> • Stable – can be reviewed repeatedly • Unobtrusive – not created as a result of the case study • Specific – can contain the exact names, references, and details of an event • Broad – can cover a long span of time, many events, and many settings 	<ul style="list-style-type: none"> • Retrievability – can be difficult to find • Biased selectivity, if collection is incomplete • Reporting bias – reflects (unknown) bias of any given document’s author • Access – may be deliberately withheld

2.4.1. Case study protocol preparation

Yin (2014) points out that preparing to collect case study evidence should consist of evaluating and improving the researcher’s desired skills and values, training, develop case study protocol, screen cases and do a pre-study. The author will focus on developing the case study protocol, see *Appendix 4* for the complete interview guide. The research questions served as a basis together with general literature about business processes. As a complement, Sourcing Assignment documents were examined prior to meeting interviewees (when possible) to pose more content-specific questions. It served as a very small pre-study. The pilot-cases was accessible as part of the Sourcing Assignment starter package (status quo) and served as first input to the interview guide. When more documentation got available, if IKEA-employees wanted to share documents, the author got increased insight of what seemed to be included or excluded compared to status quo. Consequently, a better interview guide with more relevant questions regarding work process and document content was developed. *Figure 2.13* illustrate that interesting similarities and differences, both compared to status quo and with other Sourcing Assignments, could be pinpointed and included in the interview guide prior to arranging interviews. Asking such questions allowed interviews to focus on underlying explanations rather than understanding document content which would be the case if seeing it for the first time at the interview session.

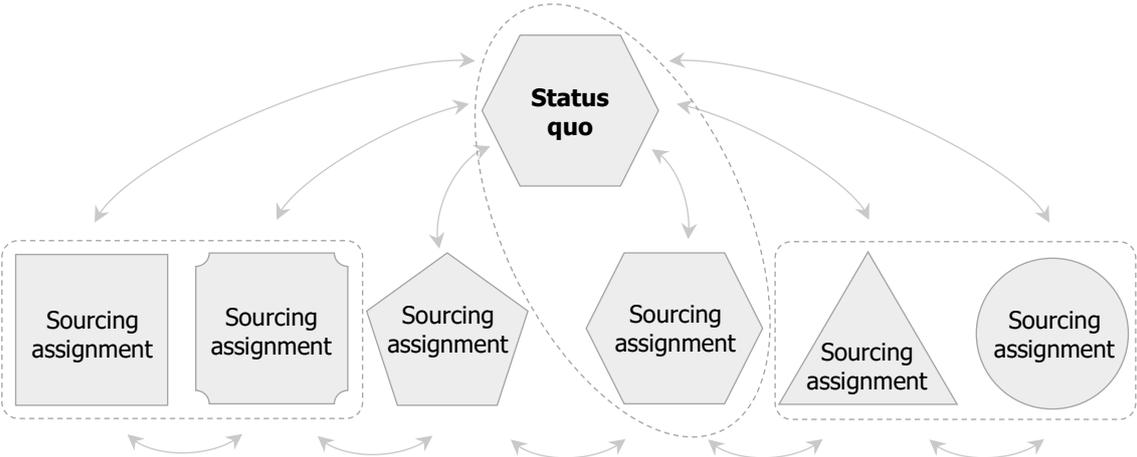


Figure 2.13: Interview guide preparation by comparing Sourcing Assignment documentation.

2.4.2. Interviews

Interviews can be unstructured, semi-structured or structured (Ellram, 1996). Furthermore, Yin (2014) proposes that case study interviews can be prolonged interviews, shorter interviews or survey interviews. A combination of shorter semi-structured interviews is the preferred method. Interview candidates do have limited time to set aside for interviews which sets a time constraint. Following a semi-structured interview format will most likely yield more fruitful empirics than doing it completely unstructured or strictly structured, because the author lacked in-depth knowledge about Sourcing Assignments prior to the data collection phase began.

Runeson *et al* (2012) suggest that interview sessions can be structured as a funnel, pyramid or time-glass model, see *Figure 2.14*. The funnel model begins with open-ended questions which become more specific as the interview progress. On the contrary, the pyramid model begins with specific questions broadening throughout the interview. The time-glass model is a mixture and starts with open questions, narrows them down in the middle, before concluding with more open

questions in the end (Runeson *et al*, 2012). The interview sessions will follow a semi-structured approach based on the time-glass model. However, the time-glass model is incorporated into the interview guide in a more iterative way, i.e. open and specific questions follow each other depending on what the interviewee answers.

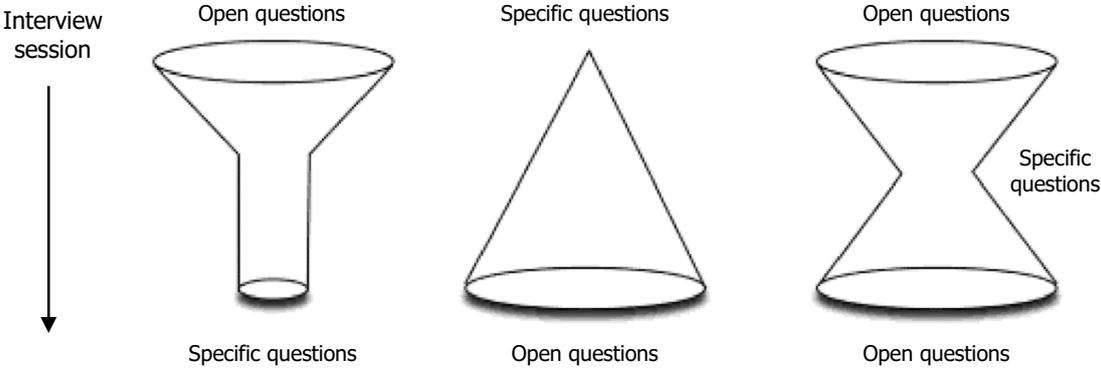


Figure 2.14: The funnel, pyramid and time-glass models for case study interviews. Adapted based on Runeson *et al* (2012).

The interview guide is structured around the following headings, see Appendix 4 for details:

- Introduction
- Basic information
- Background context
- Current way of working
 - Work process
 - Document template
- Desired way of working
- Wrap up

Interviews will be conducted with internal stakeholders, i.e. key informants, involved in creating Sourcing Assignments, e.g. SCMs, SDMs and CMs, see Appendix 5 listing all interviewed IKEA employees. The interview guide was sent out in advance to interviewees so they could prepare if time allowed. Since a Sourcing Assignment is an agreement between BAs/HFBs and categories it is critical to include both viewpoints as interpretations of the same process can differ greatly. Focus will be on interviewing employees individually to enhance richness in empirics and improve likelihood of identifying honest concerns. Also, by consulting both sides separately could give better insight into the whole process and its linkages, compare with the systems approach. The number of people to interview should be sufficient as mostly how and why questions will be asked which by nature will reflect different views and interpretations, compare with the actors approach (Voss *et al*, 2002). Group meetings will only be held when the recommendations are finalised to share main conclusions, get feedback and conduct a live test in a real Sourcing Assignment meeting. Then, both organisational sides will be present simultaneously.

2.4.3. Documents

As discussed in Section 2.4.1 many Sourcing Assignment documents exist. As interviews cannot be held with all relevant key informants at IKEA the documentation serves as an extra source of evidence. Interviews mainly focus on ways of working with Sourcing Assignments while

documents give insight into what content that are discussed and agreed on. It also shows how actionable topics are formulated, structured and specified, see *Appendix 3*. Besides Sourcing Assignment documents, the status quo is an essential source of evidence as well. It consisted of an Excel-template checklist, an example Sourcing Assignment Word template between BA Lighting and Category 20, and a PowerPoint concept description with some guidelines, see *Appendix 6*.

2.4.4. Quantitative data

Quantitative data related to IKEA's total notified purchase volume was used to better understand the background context for each case. In accordance with the IKEA supervisors, data was extracted from IKEA's KPI system. It was the same data most BAs used when deciding which relations Sourcing Assignments should be established with, i.e. to see whether relations were above or below the suggested 5% no-go criterion.

2.5. Data analysis

Ellram (1996) suggests that the case data analysis can be facilitated by having a pre-structured case outline as well as clear data coding processes, e.g. open coding, axial coding and selective coding processes. A pre-structured case outline can help with organising the collected data in a logical and concise way that later enables easier comparison between the cases. Open coding can help with the data mining and categorisation, axial coding with finding connections and patterns between categories and selective coding with theory connection (Ellram, 1996). Mainly open coding and axial coding was applied to analyse the empirical material. Voss *et al* (2002) highlight that two steps can be taken when analysing the data, namely analysing data within the cases and analysing data by searching for cross-case patterns. Yin (2014) outlines four strategies for how to analyse the empirical data as well as five techniques how to do it. The strategies are to rely on theoretical propositions, working your data from the ground up, developing a case description and examine plausible rival explanations (Yin, 2014). Primarily the empirical data will be used as the foundation to develop case descriptions and from it work the data from the ground up, in line with the inductive and grounded theory approach. The techniques are pattern matching, explanation building, time-series analysis, logic models and cross-case analysis (Yin, 2014):

- *Pattern matching*: Compare a pattern based on the empirical case study data with predictions of patterns made before the data collection phase.
- *Explanation building*: The case data is analysed by explaining the case by e.g. causal links or answering questions like "how" and "why".
- *Time-series analysis*: Matching the observed empirical trend with either a theoretical trend or a rival trend.
- *Logic models*: Outline sequential cause-effect-cause patterns.
- *Cross-case analysis*: Explore if the individually studied cases replicate or contrast with the others i.e. if there is an observable pattern.

Voss *et al* (2002, p.213) write that "*the overall idea [with explanation building] is to become intimately familiar with each case as a standalone entity, and to allow the unique patterns of each case to emerge before you seek to generalise across cases*". Since the detailed case descriptions in *Appendix 1* explains quite well *how* and *why* questions related to the Sourcing Assignment processes and documents, focus will be on applying and conducting the cross-case analysis instead of explanation building.

2.5.1. Cross-case analysis

Cross-case analysis is basically a data analysis method that compares the individual case studies, in this case the multiple cases within the same study. Various qualitative tables can be used, e.g. word tables, where the findings from each of the 6 cases are structured, categorised and compared to determine whether cases replicate or contrast with each other (Yin, 2014). Further, Yin (2014, p.167) states that “an important caveat in conducting this kind of cross-case synthesis is that the examination of word tables for cross-case patterns will rely strongly on argumentative interpretation”. Therefore, the researcher’s analytical skills play a major role in developing strong argumentations when cross-case analysing the empirical data. Numerous pitfalls might be encountered which require that the explanation builder (i.e. the author) safeguard the analysis with e.g. case study protocol, case study database and ensures a chain of evidence (Yin, 2014). How research quality was ensured throughout the master’s thesis is elaborated on next in Section 2.6.

2.6. Research quality

The methodologies and methods outlined in this chapter are believed to help strengthening the rigor of the qualitative data collection and cross-case analysis. Gammelgaard (2004) means that following a research paradigm can steer the researcher to be rigor in its approach to tackle the research questions. Explicitly following the path outlined in Figure 2.1 is believed to ensure proper research design quality. The author need to be transparent and unbiased throughout the research process so that rigorous research results and conclusions can be drawn which “...implies care in avoiding inadvertently concluding something the research did not actually reveal” (Mentzer & Flint, 1997, p.200). This implies a need to carefully ensure construct validity, internal validity, external validity and reliability from start to finish (Ellram, 1996; Yin, 2014). Yin (2014) proposes different quality tests by applying tactics at certain research phases, see Table 2.5 for an overview of how these are applied for the master’s thesis.

Table 2.5: Research design quality applied. Adapted based on (Yin, 2014).

Test	Case study tactic	Research phase
Construct validity	<ul style="list-style-type: none"> • Use multiple sources of evidence (triangulation) <ul style="list-style-type: none"> ▪ Interviews, documents, quantitative data • Establish and maintain chain of evidence <ul style="list-style-type: none"> ▪ Recordings, transcribed interviews, interview reports (sent to interviewees for comments) • Have key informants review draft of case study report <ul style="list-style-type: none"> ▪ Let interviewees proof read and correct 	Data collection
		Data collection
		Composition
Internal validity	<ul style="list-style-type: none"> • Do explanation building <ul style="list-style-type: none"> ▪ Extensive case descriptions in <i>Appendix 1</i> • Do pattern matching i.e. cross-case analysis <ul style="list-style-type: none"> ▪ Created qualitative tables supporting the analysis • Address rival explanations (not applicable) • Use logic models (not applicable) 	Data analysis
		Data analysis
		Data analysis Data analysis
External validity	<ul style="list-style-type: none"> • Use theory in single-case studies (not applicable) • Use replication logic in multiple-case studies <ul style="list-style-type: none"> ▪ Similar interview structure and course of action 	Research design
		Research design
Reliability	<ul style="list-style-type: none"> • Use case study protocol <ul style="list-style-type: none"> ▪ Interview guide in <i>Appendix 4</i> • Create a case study database (field notes, documents, tabular materials, narratives) <ul style="list-style-type: none"> ▪ Continuously organised empirical data material 	Data collection
		Data collection

Many research quality criteria traditionally used within the logistics domain like objectivity, validity and reliability are based on quantitative and positivistic viewpoints (Halldórsson &

Aastrup, 2003). However, the domain has moved toward a more qualitative and naturalistic viewpoint which make it appropriate to include criteria reflecting the shifting trend, by addressing trustworthiness as the combination of credibility, transferability, dependability and confirmability (Halldórsson & Aastrup, 2003). Therefore, the positivistic-based criteria proposed by Yin (2014) might be complemented with naturalistic-based criteria. For this reason, credibility is included as a complement to validity and reliability.

2.6.1. Construct validity

Construct validity is tied to the data collection phase and consists of three tactics, namely multiple sources of evidence (triangulation), chain of evidence and review of case study report (Ellram, 1996; Yin, 2014). Construct validity is important to handle since case studies frequently are criticised for being too subjective in the data collection phase with results consequently confirming the researcher's beliefs rather than being based on objectivity (Yin, 2014). Triangulation will be strived for to the extent possible. However, mainly interviews and documents will be the two sources of evidence. Care will be taken so that interviewees' can freely express their thoughts by posing open questions rather than leading questions. A logical flow and accuracy of content, from research questions to conclusion, is necessary for a reader to properly understand the findings (Ellram, 1996). To maintain a chain of evidence the author recorded the interviews after permission, transcribed the recordings and compiled interview reports which was sent to the interviewees for commenting. Factual errors and sensitive statements could then be eliminated in case descriptions. Also, the methodology outlined in this chapter was followed closely to ensure a structured approach throughout the entire research project.

To further strengthen the construct validity the developed construct presented in *Chapter 6* was tested as described in *Chapter 7* and modified accordingly. To perform the weak market test described by Kasanen *et al* (1993), i.e. adoption of the construct within an organisation, is beyond the master's thesis scope. Performing such a construct test is instead proposed as a continuation IKEA should consider for the research output. Being unable to carry out a *real* market test for the CRA is not believed to negatively affect the master's thesis from fulfilling its purpose. Arranging two qualitative tests, one in a real Sourcing Assignment meeting and one discussion meeting with key informants, are expected to strengthen the research quality and trustworthiness.

2.6.2. Internal validity

Yin (2014) explains that two aspects should be considered for internal validity. Care must be taken to prevent that incorrect conclusions are drawn, especially if explanatory case studies are conducted. E.g. incorrectly concluding that X caused Y and it later shows that Z was the underlying reason will undermine the validity of findings. Internal validity also relates to inferences. It means that the researcher draws faulty conclusions or implications due to wrongly concluding that multiple sources of evidence converge or misses out that alternative explanations might exist (Yin, 2014). Internal validity is necessary to consider since the case study will be partly explanatory. Following the cross-case analysis method for data analysis with thoroughly documented empirical data are believed to result in sound conclusions.

2.6.3. External validity

External validity concerns whether findings correctly describe studied units of analysis which can be generalised as well (Ellram, 1996). This is best ensured by having clearly formulated research

questions that seek to answer how and why the studied phenomenon appear as it does (Yin, 2014). Research questions are formulated to answer *how* and *why* questions connected to Sourcing Assignments while a sufficient number of cases are studied. The research design followed a replication logic by approaching all interviewees similarity during interview sessions.

2.6.4. Reliability

Reliability mean that the same end-result should be generated if the case study would be repeated. It must be the exact same cases that are studied and not similar ones resulting in the same findings (Yin, 2014). Primarily two tactics ensure reliability, either case study protocols, including interview guide and instructions, or case study databases, e.g. notes, case summaries, internal documents, external documents etc. (Ellram, 1996). To ensure reliable findings, i.e. that the same conclusions would be drawn if the same procedures were followed, a case study protocol in the form of an interview guide and empirical data such as recordings, transcribed text, interview reports, documents etc. were organised and archived continuously as a separate but complementary appendix to the master's thesis.

2.6.5. Credibility

Credibility, from a naturalistic viewpoint, is determined by the *“degree of match between the respondent's constructions and researchers' representation of these”* (Halldórsson & Aastrup, 2003, p.327). It means that the author manages to present the empirics as IKEA employees intended it to be interpreted. Furthermore, Halldórsson and Aastrup (2003, p.327) state that *“a credible inquiry often appears as imprecise in terms of boundaries and relationships but enriches depth, meaning and understanding of the phenomena being studied”*. Since the author tries to capture interviewees' contextual views on Sourcing Assignments, it is assumed that no objective reality exists. It should not be problematic if the units of analysis are not described as exact and precise as possible by the interviewees. Instead it is fundamental that *“the respondents themselves play a central role in falsifying/correcting the picture of reality drawn by the researcher”* (Halldórsson & Aastrup, 2003, p.327). The credibility criterion therefore aligns well with the actors approach which take the author's personal interpretations of the units of analysis into account. Interviewees were consulted with the case descriptions and modified accordingly.

3. Theoretical frame of reference

This chapter presents the theoretical frame of reference surrounding the two units of analysis. Due to the scarcity of academic literature treating Sourcing Assignment equivalents, the theoretical frame of reference was broadened, see Figure 3.1. The chapter starts with presenting some interesting findings from the literature review before more general process-based business development, category management and strategic sourcing theory are elaborated upon. An illustration of the conceptual research model which the data collection and cross-case analysis follow concludes the chapter.

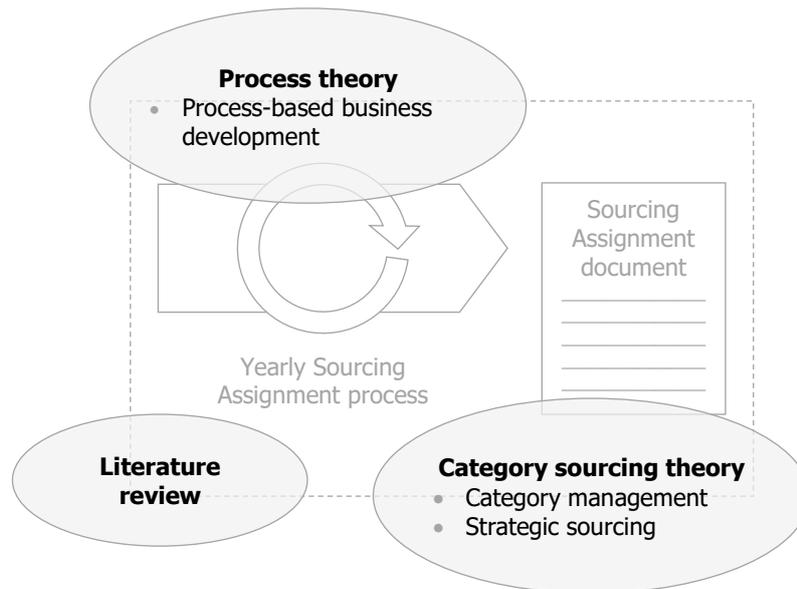


Figure 3.1: Theoretical frame of reference surrounding the two units of analysis.

3.1. Literature review highlights

The literature review, conducted in Section 2.2.2, did not yield much *academic literature* directly related to equivalents of IKEA's Sourcing Assignments or category management in purchasing. However, a couple of somewhat interesting articles were found, mostly discussing how to operationalise category strategies via sourcing levers, which are highlighted below. Somewhat relevant *practical literature* was also found in the form of management consultancy frameworks for the category planning process.

3.1.1. Category strategy development in purchasing

Holger and Schiele (2015) develop a framework for strategy development in purchasing, see Figure 3.2. They state that "this study extended existing stages of strategy development in purchasing and, for the first time, completely integrated sourcing categories and sourcing levers as levels of analysis" (Holger & Schiele, 2015, p.138). The framework encompasses five levels, namely 1) firm strategy 2) functional strategy (for purchasing) 3) category strategy 4) tactical sourcing levers and 5) supplier strategies. Basically, the purchasing strategy is translated from and formulated to fit the overall firm strategy. Then, categories develop strategies for supply markets and via *sourcing levers*, i.e. tactics specified in activities, the category strategy is operationalised and executed (Holger & Schiele, 2015). As a final step, individual and actionable supplier strategies are developed within each category. Holger and Schiele (2015, p.147) mean that "the proposed framework supports

purchasing in bridging the gap between product markets and supply markets” while it “helps practitioners to decompose general strategy into executable and controllable activities”.

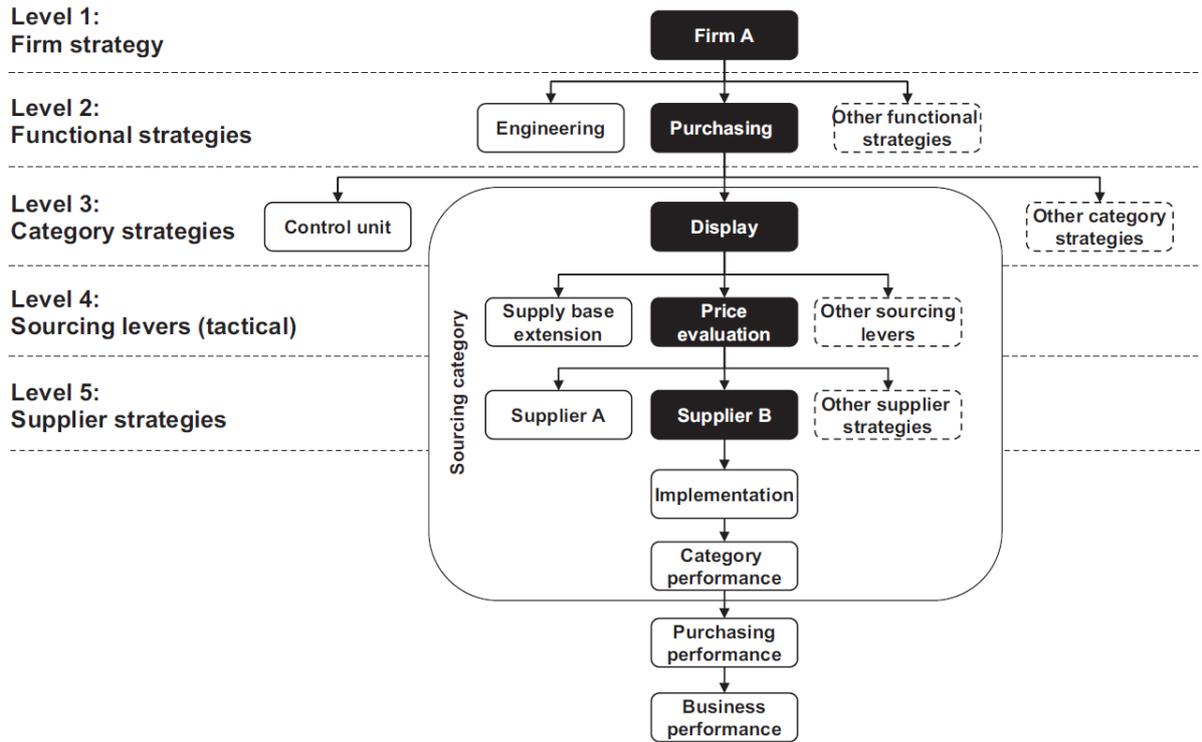


Figure 3.2: Different levels for distinguishing purchasing strategy development (Hesping & Schiele, 2015).

Hesping and Schiele (2016, p.476) state that “a recent research stream addresses the issue of planning the actions to realise performance goals for a sourcing category” which have led to some discussions about sourcing levers in the literature, see Figure 3.3 for some examples. Basically, the sourcing levers are used as tactics to operationalise general strategy via activities with clear time plans and milestones (Hesping & Schiele, 2016). Hesping and Schiele (2016, p.476) mean that “when transitioning from general strategic goals for a sourcing category to specific actions, category managers [CMs] may discuss various tactical sourcing levers”.

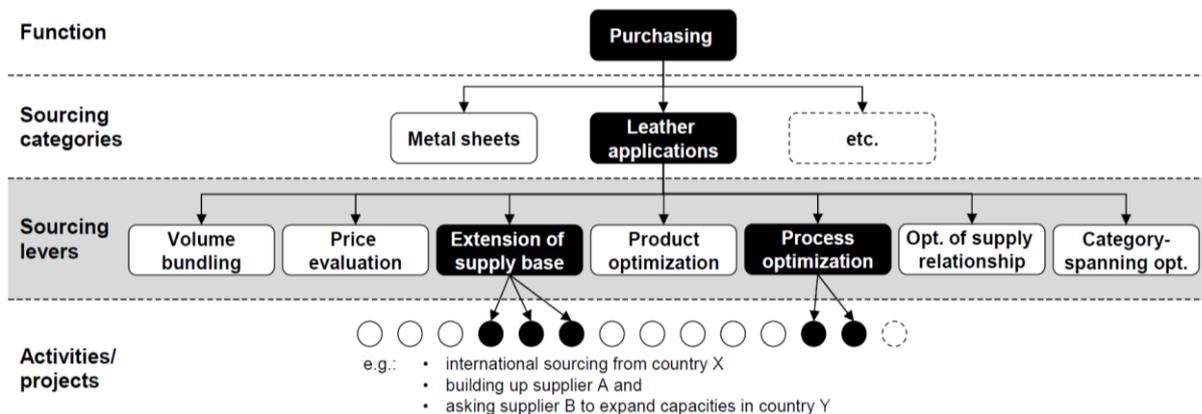


Figure 3.3: Sourcing levers as tactics to reach sourcing categories performance goals via activities (Hesping & Schiele, 2016).

3.1.2. Problems in cross-functional sourcing decision processes

Moses and Åhlström (2008) study problems in a cross-functional sourcing decision process based on a single case study. Ten problems were identified under three problem areas, namely functional interdependency, strategy complications and misaligned functional goals, see *Table 3.1* (Moses & Åhlström, 2008). The problems are context-specific for the case study but still give valuable insight as they occur in a certain company's process related to sourcing decisions.

Table 3.1: Cross-functional problems in a sourcing decision process. Adapted based on (Moses & Åhlström, 2008).

<p>Functional interdependency:</p> <ul style="list-style-type: none"> • <i>Lack of holistic view</i> (makes the decisions difficult to take) • <i>Information dependency</i> (makes deadlines difficult to meet) • <i>Lack of designed system-support</i> (makes calculations, information sharing and synergy effects difficult) • <i>Usage of ad-hoc decisions</i> (founded on previous experience and tacit knowledge without documented follow-ups) • <i>Process-design related problems</i> (have emerged due to the process not being structured enough and lack of connection to parallel processes)
<p>Strategy complications:</p> <ul style="list-style-type: none"> • <i>Unclear strategies for support</i> (company and functional strategies difficult to translate practically for participants leading to problems in making long-term strategic decisions) • <i>Inconsistent basic data for decision-making</i> (incomparable information lead to ad hoc decisions founded in experience and previous knowledge)
<p>Misaligned functional goals:</p> <ul style="list-style-type: none"> • <i>Functional imbalance</i> (does not support an equal balance of participants which have led to decisions being made outside the mandated sourcing decision process) • <i>Forced path dependency</i> (makes functions move ahead without all the information needed) • <i>Timing of functional needs</i> (different functions have different needs for information at different points in time which makes the process unbalanced)

3.1.3. Category planning process framework

Capgemini (2013) presents a framework for how the category planning process can look like, see *Figure 3.4*. *Category plans* is a central document created in the category planning process which give input to and influence the strategic sourcing process and the contract management process (Capgemini, 2013). The category planning process framework consists of three sub-processes, namely category diagnostics, category plan development and category management. The entire process should align with business, customer and procurement strategies and plans (Capgemini, 2013). Also, the category plans should be reviewed and updated periodically. IKEA's Sourcing Assignment would roughly correspond to a document created to ensure that internal business alignment is captured in category strategy plans in the category planning process.

3.2. Process-based business development

Fundamentally, process-based business development can facilitate movement from functional silo thinking to a process-oriented organisation. In this section process components, different types of processes, process establishment/management, process specification/documentation and process mapping are outlined. The content presented is based on Ljungberg and Larsson (2012).

3.2.1. Process definition and process components

A process can be viewed at different detail levels, either standalone, as a part of a bigger process or broken down into smaller processes (Ljungberg & Larsson, 2012). Basically, a process consists of sub-processes which in turn consist of activities. Several components create a process, namely object in, activity, resource, information and object out, as depicted in *Figure 3.5*.

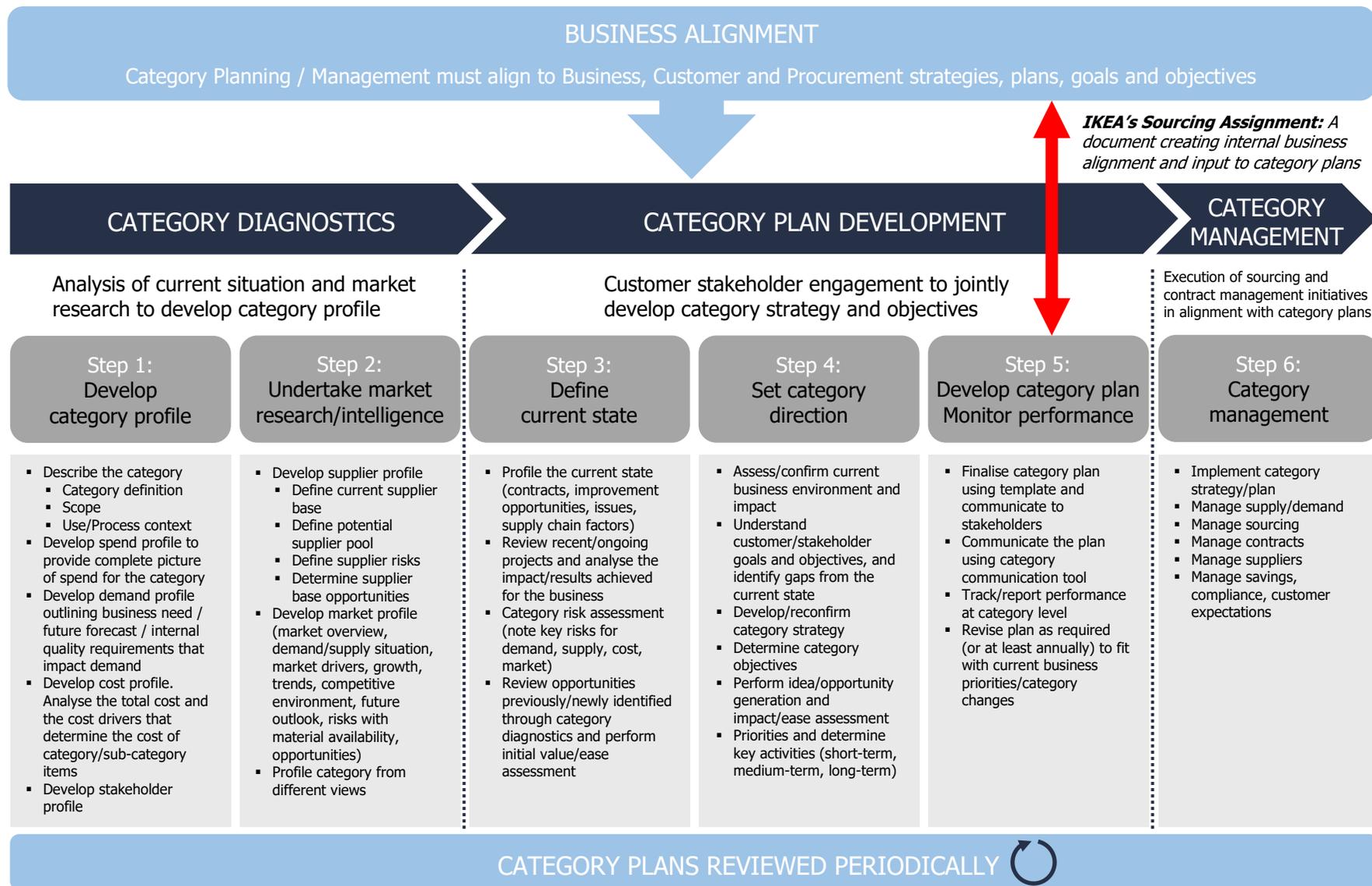


Figure 3.4: Category planning process. Sourcing Assignment could be positioned as an internal alignment document becoming input to category plans. Adapted based on Capgemini (2013).

An object in initiates the process, activities are a sequence of actions that enhance the object, resources are necessary to enable activities, information support, steer and control the process, and object out is the result from the transformation and serve as object in and trigger for the next process (Ljungberg & Larsson, 2012). The object out from the last activity is the entire process object out as well. Besides the fundamental process components, requirements (e.g. short lead-time) or measurements (e.g. zero defects) can be connected to each of the components. This can be documented in a requirements specification which contain detailed information regarding the different requirements stakeholders have on the process (Ljungberg & Larsson, 2012). Requirements on object in, activity or object out can be divided either into object properties (what to get, e.g. no faults) or process properties (how to get the what, e.g. timely delivery). The immediate process result, i.e. object out, as well as the effect (e.g. customer satisfaction) should be measured as well (Ljungberg & Larsson, 2012).

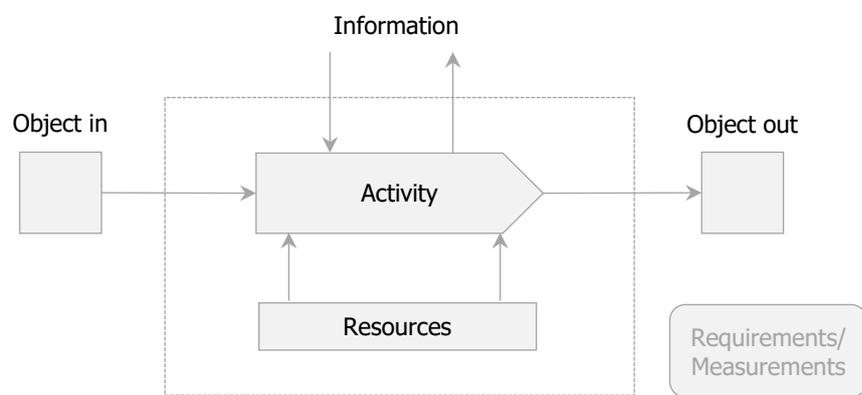


Figure 3.5: The key process components and their interrelation. Adapted based on Ljungberg and Larsson (2012).

Ljungberg and Larsson (2012) state that processes are fundamentally defined by their purpose, a starting point and a finishing point. It is necessary with a clear purpose explaining the existence of the process based on understanding of who the customer is, either internal or external, the process results and how it satisfies customer needs. Also, there must be a starting point which triggers the process, in the form of customer need. The finishing point marks that the customer need is satisfied (Ljungberg & Larsson, 2012).

3.2.2. Core, enabling and steering processes

Ljungberg and Larsson (2012) mean that processes can be classified as core processes, enabling processes and steering processes. Core processes are defined as overall high-level processes that realise the business idea from a customer perspective and can be viewed as the soul of the organisation. Usually they require varying competences and are for that reason often cross-functional. Ljungberg and Larsson (2012) highlight the importance of mapping the core processes because they describe the business from a customer perspective and how customer value is created. It also creates a holistic understanding of the business and clarifies how core processes are connected to each other. Furthermore, it facilitates effective and efficient steering and development of the business. The enabling processes are needed for the core processes to function properly but are not critical per se for organisational success (Ljungberg & Larsson, 2012).

Steering processes steer and coordinate the other processes but Ljungberg and Larsson (2012) point out that these processes often are left to their fate within an organisation. The degree of establishment is often low for steering processes which mean that if descriptions exist they are followed to a limited extent and an agreed work method is frequently missing (Ljungberg & Larsson, 2012). This implies for example that a thought-through and structured way to steer the business processes is absent. Also, learning becomes dependent on individuals which imply that knowledge come and go as employees come and go (Ljungberg & Larsson, 2012). Ljungberg and Larsson (2012, p.142) list several difficulties for mapping and developing an organisation's steering processes:

- Which are the needs?
- Which are the stakeholders? To what extent should they influence process development? Is it possible with a pure customer perspective?
- What is a good generic steering process? How do we get inspiration and identify best practice? Many degrees of freedom exist for steering processes as it is not necessarily about right or wrong.
- What is the current as-is situation? Steering processes often have a low or very low degree of establishment. How to introduce a should situation if the current situation is unclear?
- What is the correct detail level and need of steering documents for the steering process? How narrow or broad should it be?

Ljungberg and Larsson (2012) point out that a lot of energy often are spent to follow-up steering processes that came about quickly and unstructured within organisations.

3.2.3. Process establishment and process management

A process is established when it is used as intended by all each time it should be used (Ljungberg & Larsson, 2012). Some conditions need to be met from a user and co-worker perspective to enable establishment of a process. It must for example be *useful, known, accepted, understood* and *available* in the organisation (Ljungberg & Larsson, 2012). *Repeatability* is also necessary, meaning that the process time and time again generates a desired result that satisfies customer need. Ljungberg and Larsson (2012) mean that when a process should be established discussions frequently arise regarding feasibility to have a one-size-fits-all and the effects it can have, potentially leading to stifled flexibility and creativity. Often the exceptions are highlighted, i.e. that the process is not suitable for the prevailing unique circumstances. A process does not have to be designed to fit every possible situation as it can result in a too complex and inflexible process (Ljungberg & Larsson, 2012). For instance, employees can handle exceptions based on competence. The balance between discipline and flexibility is affected by *why, what* and *how* questions related to the process (Ljungberg & Larsson, 2012). A pre-condition to enable process-based business development is that the processes are used. This can for instance be indicated by verified documents from meetings, information from interviews with employees working with the process, measurements verifying the level of usage, traces in the IT system and both negative and positive comments from process users (Ljungberg & Larsson, 2012). *Process management* is necessary to enable this and is defined as “*activities introduced to maintain daily and continuous steering, use and development of a process*” (Ljungberg & Larsson, 2012, p.166).

3.2.4. Process specification and process documentation

Process maps and process documentation serves two purposes, namely to understand the whole process from an overall perspective and to support the operative execution of the process (Ljungberg & Larsson, 2012). Furthermore, the process information should be documented in a process specification. The specification can for example contain customer need, process customer, process purpose, process name, object in/process trigger, object out (result of process transformation), effect (long-term process results), customer effect, information in (vital information of steering or supporting character) and information out (Ljungberg & Larsson, 2012). Understanding this is central for example when introducing new employees or when analysing and improving the process. It is also vital with overall understanding to perform the operative work in the process. Focusing on an activity as a sub-part or fragment of the entire process is therefore unproblematic since employees know how to relate to the overall process (Ljungberg & Larsson, 2012). The process should be understood first before creating solutions that support the process execution. Ljungberg and Larsson (2012) propose that employees understand the process if they can answer questions like:

- Why does the process exist? What is my role?
- How does my work tasks contribute to value creation and customer satisfaction?
- Who do I need to cooperate with and in which way? How can the process be improved?

Understanding such questions make it meaningful to answer questions more directly related to the process execution such as (Ljungberg & Larsson, 2012):

- How should my activities be performed? How should quality in my work be ensured?
- What guidance exist that are relevant for what I am doing right now?

Positioning the process in *Figure 3.6* can give some hints about the detail level on process documentation based on the character of the process, i.e. whether there is a unique or standardised need. Ljungberg and Larsson (2012) mean that if a process fulfils the attributes of a unique need, the process goal is mostly secured by employee competence rather than detailed process documentation or the process structure itself.

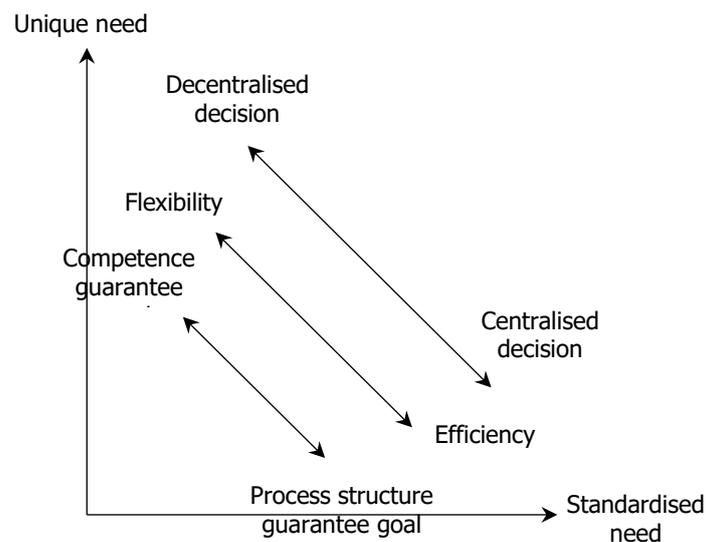


Figure 3.6: Principles to determine detail need for process documentation. Adapted based on Ljungberg and Larsson (2012).

3.2.5. Process mapping to find best practice

Ljungberg and Larsson (2012) mean that mapping a process helps to make individual competence to collective competence, as illustrated in *Figure 3.7*. Basically, employees are having their own processes performed differently and they are primarily documented as tacit knowledge in their minds. Each individual process can work well but, for example, an external end-customer might encounter three different customer experiences which is sub-optimising the overall business. Internally, learning can become primarily individual instead of collective (Ljungberg & Larsson, 2012). Basically, the three individual processes can be combined into a new internal best practice process which probably are better than each standalone process (Ljungberg & Larsson, 2012). Individual competence is transformed to collective competence and human capital is transformed to structural capital. By combining the individual knowledge to structural capital, it becomes easier to transform it back to human capital, for instance when new employees start (Ljungberg & Larsson, 2012).

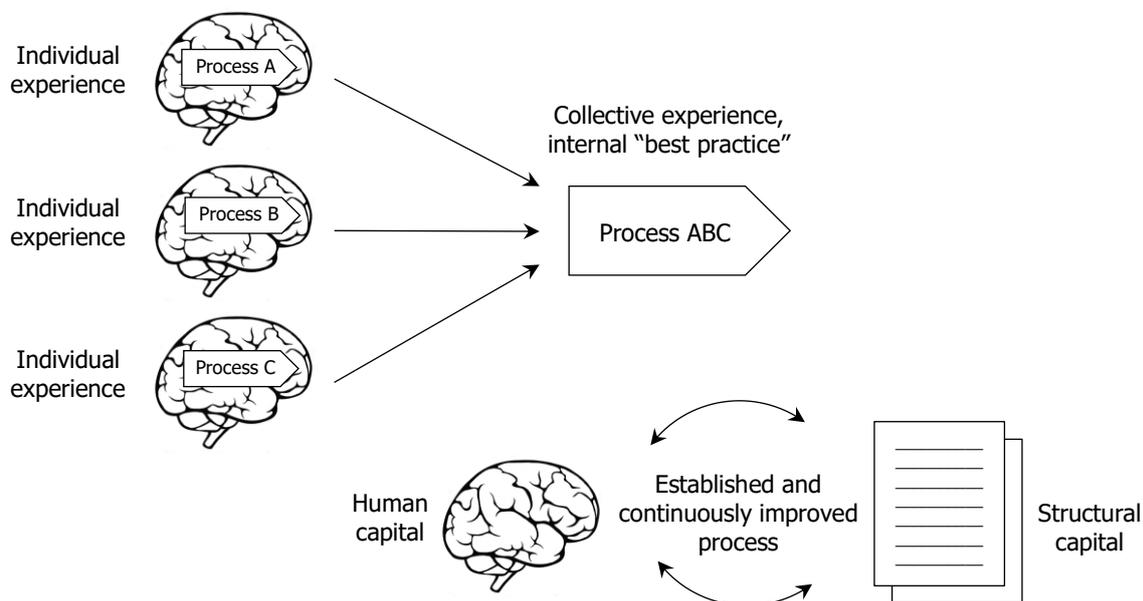


Figure 3.7: Process mapping can make individual experiences to collective experience while human capital is transformed to structural capital. Adapted based on Ljungberg and Larsson (2012).

Ljungberg and Larsson (2012) continue to say that if the process mapping aim at creating structural capital to support the execution of the process, a few guidelines and principles can be followed. For instance, the need of documentation can be viewed from both employees and the manager perspective founded in need and demand. Initially, some fundamental questions can be asked (Ljungberg & Larsson, 2012, p.204):

Questions for the manager:

- Which level of guidance do the employee really have benefit from in the process?
- To what extent and in which way do I need to steer process users work?

Questions for the process user:

- What support in the form of process documentation do I have use of?
- What documentation would really facilitate for me to follow the process?

3.3. Category management in purchasing

O'Brien (2015) discusses how the entire process for implementing category management related to purchasing can look like through five stages, namely initiation, insight, innovation, implementation and improvement, see *Figure 3.8* for the *5i category management process*. It is a sequential and circular process with multiple review checkpoints and a series of cross-functional workshops occurring throughout the process. O'Brien (2015) means that category management can, through internal collaboration, remove a *virtual brick wall*, i.e. functional silos, often existing in organisations which hinders value-flow from suppliers to customers. See *Table 3.2* for a few *soft benefits* with category management according to O'Brien (2015).

Table 3.2: Some benefits from implementing category management. Adapted based on (O'Brien, 2015, pp.35-37).

Benefit type	What is typically possible	What is required to realise benefit
Cross-functional working	<ul style="list-style-type: none"> • Augmentation of results (through sharing and interaction) • Alignment to a common purpose • Ground swell of effort to deliver results 	<ul style="list-style-type: none"> • Organisation-wide approach to category management and mandate to participate • Executive buy-in • Active promotion of initiative through the organisation
Common language and ways of working	<ul style="list-style-type: none"> • Faster results • Increased organisational capability 	<ul style="list-style-type: none"> • Single process and toolkit accessible and utilised by all – common templates • Common learning and development programme • Language and process rigour expectations reinforced by senior team
Knowledge sharing	<ul style="list-style-type: none"> • Increased organisational capability • Organisational learning 	<ul style="list-style-type: none"> • Means to sharing key information (category strategies, market insights, success factors etc.) • Actively making time to share key learnings
Strategic sourcing	<ul style="list-style-type: none"> • Procurement as a strategic contributor to business success • Customer value proposition shaped by supply chain possibilities 	<ul style="list-style-type: none"> • Procurement embraced as a strategic function • Procurement executive level representation

In O'Brien's (2015) proposed framework, the output from the third innovation stage is a *sourcing strategy document* or *category source plan* which has some resemblance with IKEA's category BPLs/APLs but *not* directly transferable to the Sourcing Assignment document. Interestingly, van Weele (2014, p.201) use similar terminology, namely a *category sourcing plan* described as "*a formal plan for a certain product category that explains how the company is going to deal with certain supply markets and its key supplier relationships*". O'Brien (2015) means that the outputs generated from the workshops in the *5i category management process* serve as input for the category source plan document, which start to take shape already when the process is initiated. Furthermore, several review points exist in the category management process acting as gateways. Basically, the process stops if deliverables are unacceptable and usually such stage reviews are part of bigger organisational governance structures (O'Brien, 2015). Also, it can make sense to follow differently detailed processes within the category management framework since individual categories differ greatly in complexity and stakeholder involvement within organisations (O'Brien, 2015, p.93):

- Full process: *All* work tools and process steps mandatory (few optional).
- Fast track: *Half* of the work tools and process steps mandatory (rest optional).
- Just do it: *Handful* of work tools and process steps.

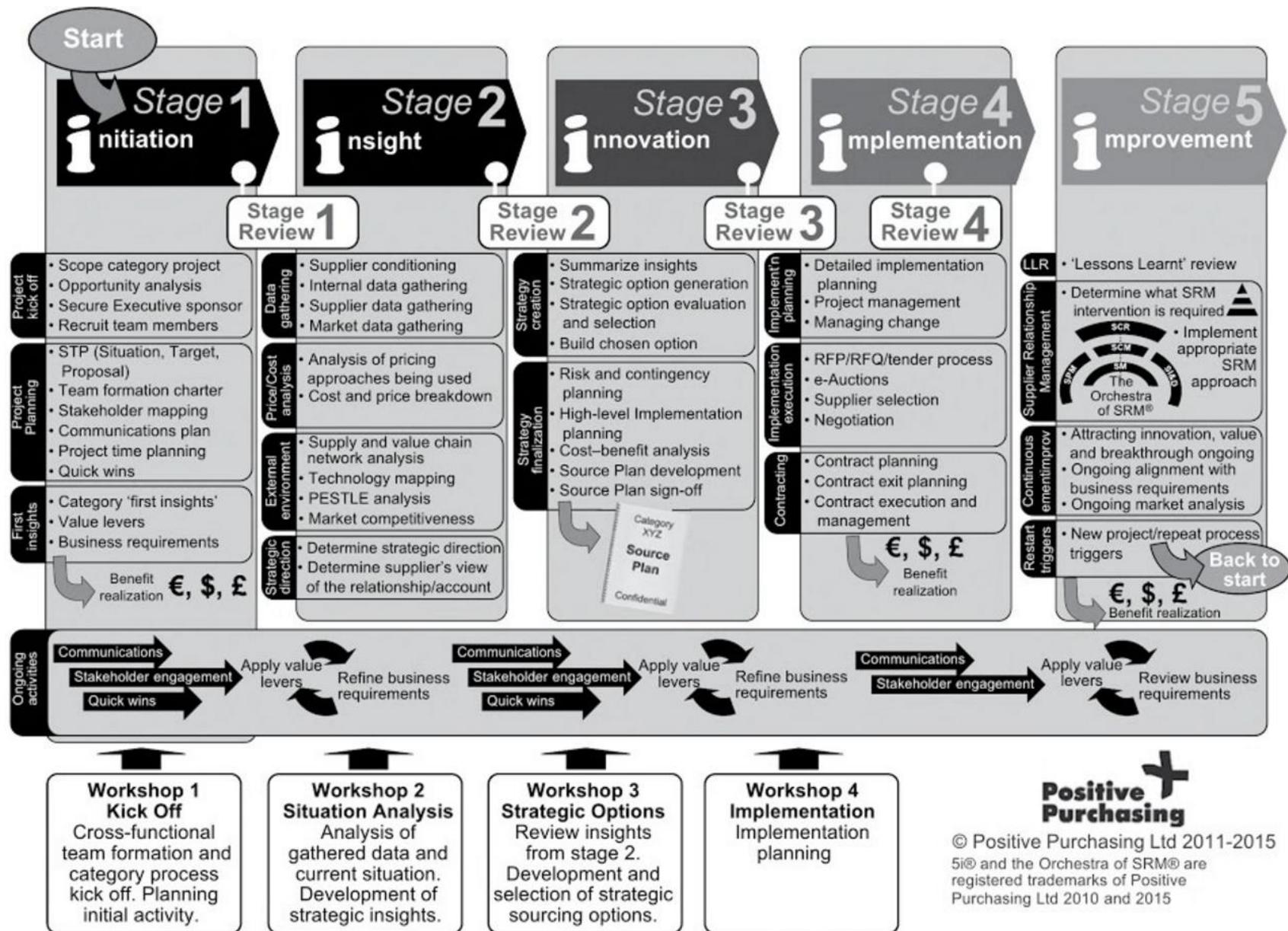


Figure 3.8: The 5i category management process with a category source plan as output from the third innovation stage (O'Brien, 2015).

To fully reap the benefits of deploying category management require that the company has a solid enabling foundation in place to support it. O'Brien (2015) presents a simple illustrative framework consisting of sourcing strategically, managing the market and driving change as the foundation which four pillars of category management rely on, namely breakthrough thinking, customer focus, cross-functional teams, and facts-and-data approach, see Figure 3.9.

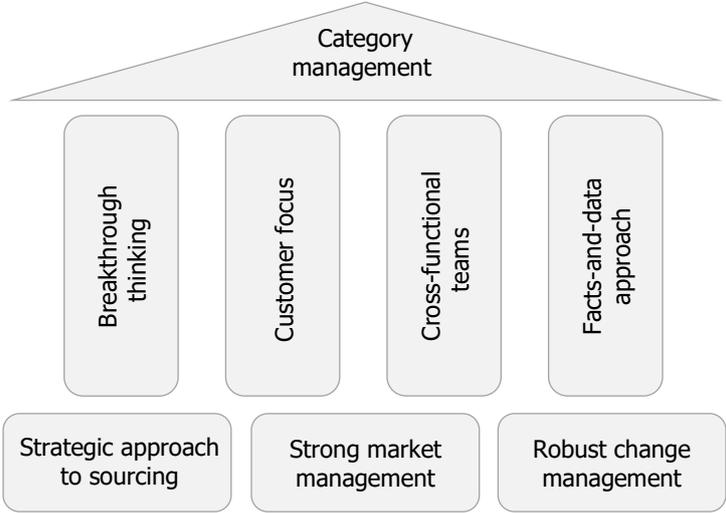


Figure 3.9: The three foundations and four pillars of category management. Adapted based on O'Brien (2015).

Sourcing strategically is a cornerstone of category management which requires “an approach that connects the value of category and supply chain possibilities with the value proposition that satisfies the customer and this means the convergence of sourcing and satisfying with organisational strategy”, see Figure 3.10 (O'Brien, 2015, p.46). Having a close connection between category management, strategy, suppliers and customers can help bridging gaps between internal stakeholders (O'Brien, 2015).

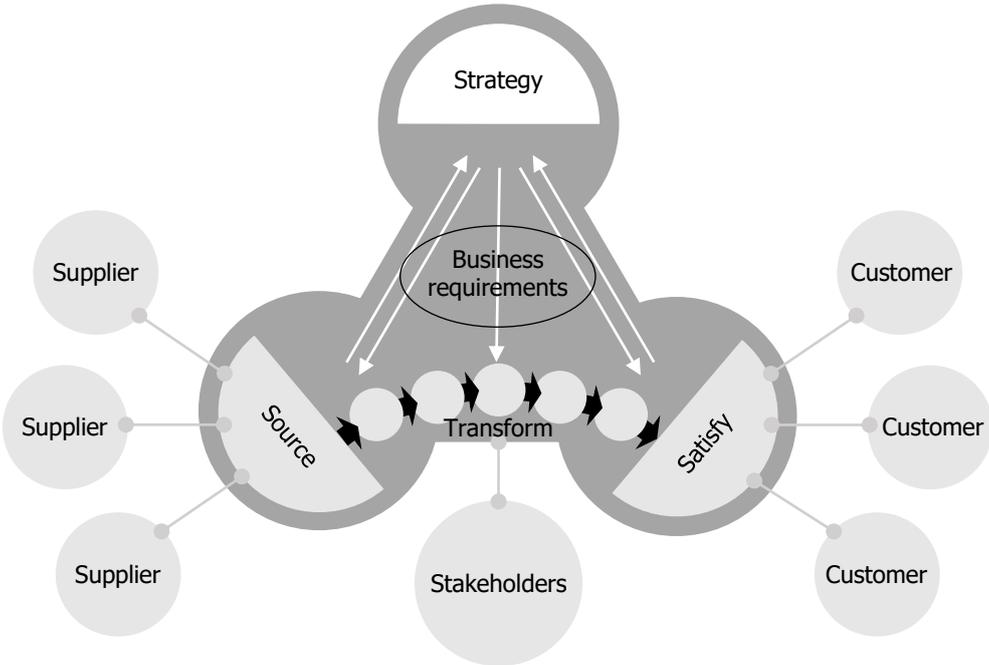


Figure 3.10: Category management needs to be an integrated part of strategy, sourcing and satisfying customers to be successful with business requirements acting as a key enabler. Adapted based on O'Brien (2015).

The strategy is often communicated top-down and separately translated to actions for supplier-facing and customer-facing functions which can give rise to functional silos (O'Brien, 2015). Fundamentally, for category management to overcome the functional silo thinking, and other barriers, to source strategically demand that the strategy build on both customer and supplier perspectives (O'Brien, 2015). A central part in *Figure 3.10* is the business requirements which basically are specified current and future needs and wants from the categories' supply base regarding e.g. regulatory, assurance of supply, quality, service, cost/commercial, innovation, logistics, development, management etc. (O'Brien, 2015). A simple way to formulate the business requirements can be whether they are a need or a want and when the requirement is necessary.

3.3.1. Category strategy option generation

This section describes the process leading up to an agreed and signed-off source plan and contents such a document can include are elaborated upon. Basically, the third stage in *Figure 3.8* culminate in a category source plan document which specify the future category sourcing strategy (O'Brien, 2015). Data analysis as well as strategic direction from the previous step serve as input. A few steps, toolkits and workshops can be followed to reach and agreed source plan. For example, SWOT is a simple tool to summarise insights from data gathered up until this point in the process, with strengths and weaknesses focusing internally while opportunities and threats externally (O'Brien, 2015). To generate alternative category sourcing strategy options, a structured process can be followed, see *Figure 3.11*.

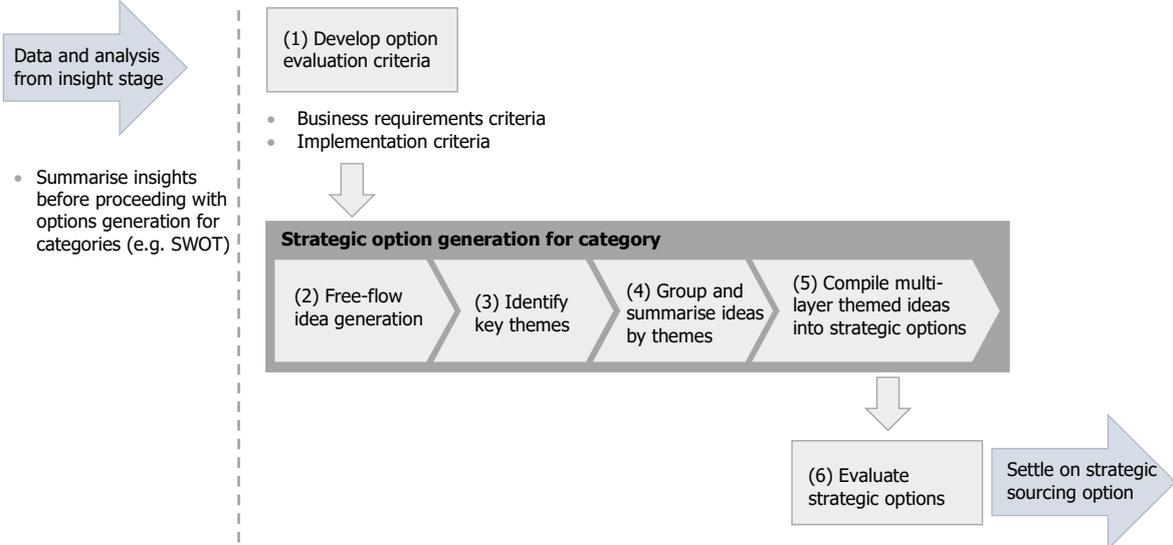


Figure 3.11: Simple process to decide a strategic sourcing option for a category. Adapted based on O'Brien (2015).

O'Brien (2015) means that sourcing strategies should be outlined on high-level but need to be supported with details explaining *how* and *why* it was decided as well as a step-by-step outline of *how* to achieve it. Before proceeding to the actual strategic options generation a few evaluation criteria should be specified, both business requirement criteria (e.g. go/no-go criterion) and implementation criteria (e.g. ease, risk, time and cost to implement), to assess the alternatives (O'Brien, 2015). Then, free-flow idea generation can commence via brainstorming in cross-functional teams having deep understanding of the outputs from the data analysis stage. O'Brien (2015, p.240) means that "an option generation session [can] take a whole day and end up with 15 or 20 pieces of flip-chart paper on the walls, packed with hundreds of ideas". With so many ideas written down

it is necessary to identify a limited number of key themes or headings to group them together, for example (O’Brien, 2015, p.241):

- Strategic options and high-level statements of future direction
- Good ideas linked to a specific strategic option
- Good ideas that might be incorporated into whatever chosen strategic option
- Supplier management/supply chain ideas
- Internal changes or improvements
- Policy or procedure changes
- Quick wins to do now
- ‘Off-the-wall’ ideas
- Things to park

With ideas, from step 2, and themes, from step 3, outlined the ideas can be grouped and summarised by themes in step 4. Then, the next step is to group multi-layered ideas into not more than a handful strategic options (e.g. do nothing, outsource/in-source, switch supplier, go to market, centralise/decentralise, aggregate spend, joint venture/acquisition, develop relationship etc.), see *Figure 3.12* for a graphical representation (O’Brien, 2015, p.243).

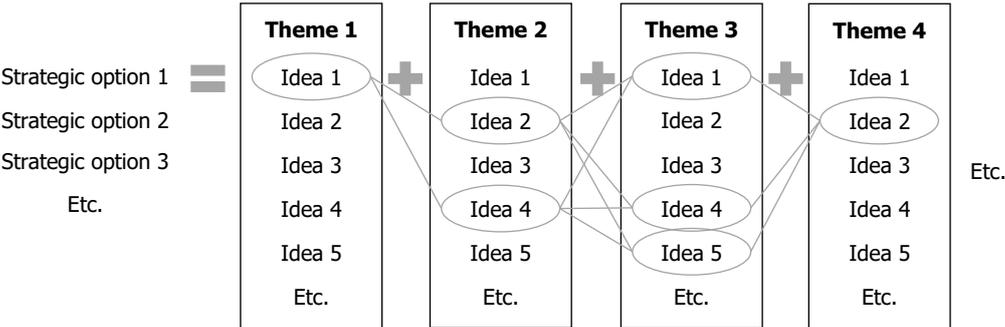


Figure 3.12: Multi-layered ideas form strategic options when combining sources of value. Adapted based on O’Brien (2015).

To conclude the process in *Figure 3.11*, the aggregated strategic options are evaluated against each other based on the evaluation criteria defined as a pre-requisite step. O’Brien (2015, p.244) points out that “a facts-and-data approach is essential [and] the strategic option that is presented as the recommended way forward needs to support this with a clear audit trail back through the process” which is facilitated by following the options generation and evaluation process. In connection to the evaluation step the chosen category sourcing strategy should be defined more in detail by the cross-functional team present. O’Brien (2015, p.247) claims that “outside this group there is likely to be little or no understanding of the chosen option” and “it is vital that the chosen strategic option and therefore the future sourcing strategy are defined in a series of statements under headings”. The headings can for example be definition of strategic option, features and benefits, specific short-term activities, medium- to long-term activities and immediate next steps, see *Table 3.3* (O’Brien, 2015, pp.247-248). Notably, this *strategy option definition document* done prior to the category source plan is somewhat alike IKEA’s internal Sourcing Assignment document. O’Brien (2015, p.247) means that the detail level should capture the essence of the strategic option so it can be communicated to others not present in the workshop and “if areas are not yet clear or require further work they should

be noted and revised later”. With a strategic option at hand a few additional steps need to be taken before creating the actual source plan, see Figure 3.13.

Table 3.3: Examples of strategy option definition documents. Adapted based on (O’Brien, 2015, p.248).

Strategic option 1 – Consolidation in the UK	Strategic option 2 – Low-cost county sourcing
<p>Definition of option Consolidate UK flywheel supply to a single source for all except a small package of medium volume flywheels</p> <p>Features and benefits of this option</p> <ul style="list-style-type: none"> • Target saving of \$1,8M • Achievable within 6 months • Low risk if any of prime vendors is selected <p>Short-term activities Drive supplier down through focused negotiation based on:</p> <ul style="list-style-type: none"> • Leverage against European/Far East pricing • Consolidation of spend • Tier 2 developments • Efficiency improvement <p>Medium- to long-term activities (18 months)</p> <ul style="list-style-type: none"> • Evaluate longer term move of business to Far East <p>Immediate next steps</p> <ul style="list-style-type: none"> • Verify the prime suppliers that have adequate capacity 	<p>Definition of option Move all supply of flywheels to a single source in China</p> <p>Features and benefits of this option</p> <ul style="list-style-type: none"> • Target saving of \$2,4M • Achievable within 12 months • Phased transition away from current vendors whilst managing risk <p>Short-term activities:</p> <ul style="list-style-type: none"> • Initially move 3 medium volume parts from UK as a start up • 6 months later move 3 high volume parts from US <p>Medium- to long-term activities (12 months)</p> <ul style="list-style-type: none"> • Move entire flywheel business to China • Negotiate improved arrangements with logistics provider <p>Immediate next steps</p> <ul style="list-style-type: none"> • Evaluate potential partners in China • Find an expert in this area

With the strategic option explicitly defined in a document a risk and contingency planning should be done. It is done to identify possible risks and prepare actions to act on such deviations. For instance, a simple risk assessment and contingency planning matrix can be used which identify risks, likelihood of occurrence, severity of impact and actions required (O’Brien, 2015, p.250). A high-level implementation plan for the strategy is then done (e.g. in a Gantt chart) which define activities and timelines that should be included in the strategic category source plan document. However, this is just a first sketch of activities needed and their distribution in a future time-period which will be necessary to specify in more detail further on (O’Brien, 2015). A final step before creating the source plan is to perform a cost-benefit analysis, quantifiable to the extent possible since if “less things are quantified the harder it is to make any decision as the list of costs or benefits will be subjective and will require interpretation, increasing the risk of the proposed sourcing strategy being rejected” (O’Brien, 2015, p.253). Next the making and agreeing on the source plan is outlined.

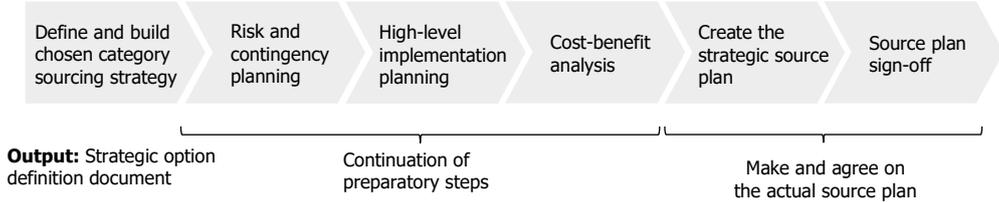


Figure 3.13: Going from defined strategic sourcing option to a source plan sign-off. Adapted based on O’Brien (2015).

3.3.2. Strategic category source plan

O'Brien (2015, p.256) states that a strategic category source plan "is the pivotal document and key output within category management" that "all preceding activities culminate in" and it can for example be internal Word or PowerPoint documents, either a few pages or hundreds. Care must be taken so suppliers do not get hold of it since tactics and confidential plans might be written down. Basically, the strategic source plan's purpose is to (O'Brien, 2015, pp.256-257):

- Get business and stakeholder sign-off and agreement on recommended course of action
- Provide facts and data to make a compelling business case going forward
- Provide documented records (a catalogue) acting as an audit trail for the process and support for future work
- Act as communication format with key (internal) stakeholders
- Answer what the current situation and the future sourcing strategy is and why the proposed strategy was selected and how it will be executed
- A basis for agreement and go-ahead for decision makers and executive sponsor
- Serve as a check for appropriate category management process rigour

The combined data analysis made within the category management process until this point serve as input for the category source plan, see *Figure 3.14*. For instance, opportunity analysis, STP (situation, targets, proposals), team charter, project plan, stakeholder map, communication plan, day one analysis, value levers, business requirements, price model, technology roadmap, Porter's five forces, portfolio analysis, supplier preferencing, SWOT, options evaluation, risk analysis, high-level implementation plan, cost-benefit analysis, market data, category data, supplier data etc. (O'Brien, 2015, p.258). According to O'Brien (2015) a *category source plan* can include the sections and content seen in *Table 3.4*. Furthermore, van Weele (2014) means that a *category sourcing plan* can include the content presented in *Table 3.5*.

Table 3.4: Example of category source plan content (O'Brien, 2015, pp.259-261).

Source plan heading	What this should contain	Sources and insights that inform this section
Executive summary	Once the rest of the document has been prepared, the executive summary should be the last thing to be written. Ideally it will summarise the entire document and the recommended sourcing strategy in just one or two well-crafted pages.	<ul style="list-style-type: none"> • Building chosen option • Cost-benefit analysis • Summary of other outputs as required
Background	Background to the category management project. Here the source plan should introduce the reader to the project including scope, team members, stakeholders, project timeline and a summary of the process followed.	<ul style="list-style-type: none"> • Opportunity analysis • Team charter • Project timeline • Stakeholder map • Communications plan
Current situation	<p>This section is not only about describing what is happening currently but also areas that are suboptimal. This section must be based on fact, not opinion, and must also clearly show the problem or problems that the source plan is attempting to address. This section could include:</p> <ul style="list-style-type: none"> • Internal/Category – Total volumes, spend, how it is used, who buys, how it is being bought and issues identified • Suppliers – Who they are, what they do, where they are, where they are headed, our spend with them, how they see us, what problems we have had historically, what alternatives exist and issues identified • Market – The nature of the marketplace, market size, what alternative markets there are, what is happening in the market, e.g. is it expanding or contracting, are there new entrants or factors that will change the market dynamics in the future? 	<ul style="list-style-type: none"> • STP • Category data summary • Supplier data summary • Market data summary • Technology roadmap • Day one analysis • Cost and price breakdown • Supply value chain network analysis
Business requirements	Definition of the agreed business requirements in terms of needs and wants, and current and future requirements. Details of value levers that have been considered.	<ul style="list-style-type: none"> • Business requirements • Value levers
Strategic analysis and insight	A section that builds on all the factors identified within the current position, as well as the business requirements, to provide analysis and insight into the position we are in and what needs to change to realise benefits and move forward. This section should draw on each of the insights gained from the strategic analysis tools (e.g. portfolio analysis, supplier preferencing, Porter's five forces and many others), but crucially must knit all the individual insights together to prove a single overall insight that forms the basis for identifying strategic sourcing options.	<ul style="list-style-type: none"> • Porter's five forces • Analysis of pricing approaches • Portfolio analysis • Supplier preferencing • SWOT
Options for change	The shortlist of strategic sourcing options that were identified in direct response to the strategic analysis and insight, together with the evaluation details and evaluation methodology used.	<ul style="list-style-type: none"> • Options generation • Options evaluation
Recommended sourcing option	The recommendations in terms of the chosen strategic sourcing option and sufficient supporting detail to adequately describe what the recommendations are.	<ul style="list-style-type: none"> • Options evaluation • Building the chosen option • High-level implementation planning
Risk and contingency planning	Summary of the risks identified with implementing this option, plus potential mitigating and contingency actions that need to be provided for.	<ul style="list-style-type: none"> • Risk and contingency planning
High-level implementation plan	A simple high-level plan that describes the headline activities and timing required to execute the recommended strategic sourcing option. This is also a good place to include quick wins.	<ul style="list-style-type: none"> • High-level implementation plan • Quick wins
Cost-benefit analysis	The indicative cost and resource requirements to execute the strategic sourcing option and the resultant anticipated benefits and their timing.	<ul style="list-style-type: none"> • Cost-benefit analysis
Next steps	Immediate next steps and actions required from the stakeholder or sponsors.	<ul style="list-style-type: none"> • High-level implementation plan
Appendices	All the supporting detail including data gathered and the outputs from each of the key tools worked through the process. It may be appropriate to make the appendix section a separate supporting document. It is important that the appendices are comprehensive, as this serves as the catalogue for future reference.	<ul style="list-style-type: none"> • All tools and outputs

Table 3.5: Example of category sourcing plan content (van Weele, 2014, p.202).

Contents of a category sourcing plan
<p>Business strategy and business issues</p> <ul style="list-style-type: none"> ▪ Business goals and issues ▪ Current and future business requirements ▪ Business priorities ▪ Important stakeholders ▪ Infrastructure and other organisational conditions <p>Analysis of historical data</p> <ul style="list-style-type: none"> ▪ Historical usage and supplier performance reports ▪ Functional, technical, quality, logistics and environmental specifications ▪ Supply market analysis and supplier analysis ▪ Current suppliers ▪ Appraisal and ranking of suppliers ▪ Price and cost analysis, important cost-drivers ▪ Legal and environmental conditions <p>Customer requirements and purchasing process</p> <p>Objectives sourcing strategy: statement of measurable results that need to be obtained in terms of:</p> <ul style="list-style-type: none"> ▪ Cost reduction ▪ Quality improvement ▪ Lead-time reduction ▪ Inventory reduction ▪ Reduction transaction cost ▪ Reduction working capital <p>Commodity sourcing strategy</p> <ul style="list-style-type: none"> ▪ Targeted number of suppliers ▪ Supplier performance requirements ▪ Location/geographic spread of suppliers ▪ Type of preferred supplier relationship ▪ Type of preferred contract ▪ Supplier performance measures (KPIs) <p>Planning of activities</p> <ul style="list-style-type: none"> ▪ Briefing and team preparation ▪ Spend and supply market analysis ▪ Target setting and activity programming ▪ Commodity strategy development ▪ Sending out RFIs and RFPs ▪ Sending out RFPs ▪ Bid comparison and negotiations ▪ Contract negotiations and contract signing ▪ Communication and contract reviews <p>Organisation and team composition</p> <p>Summary of expected net results</p>

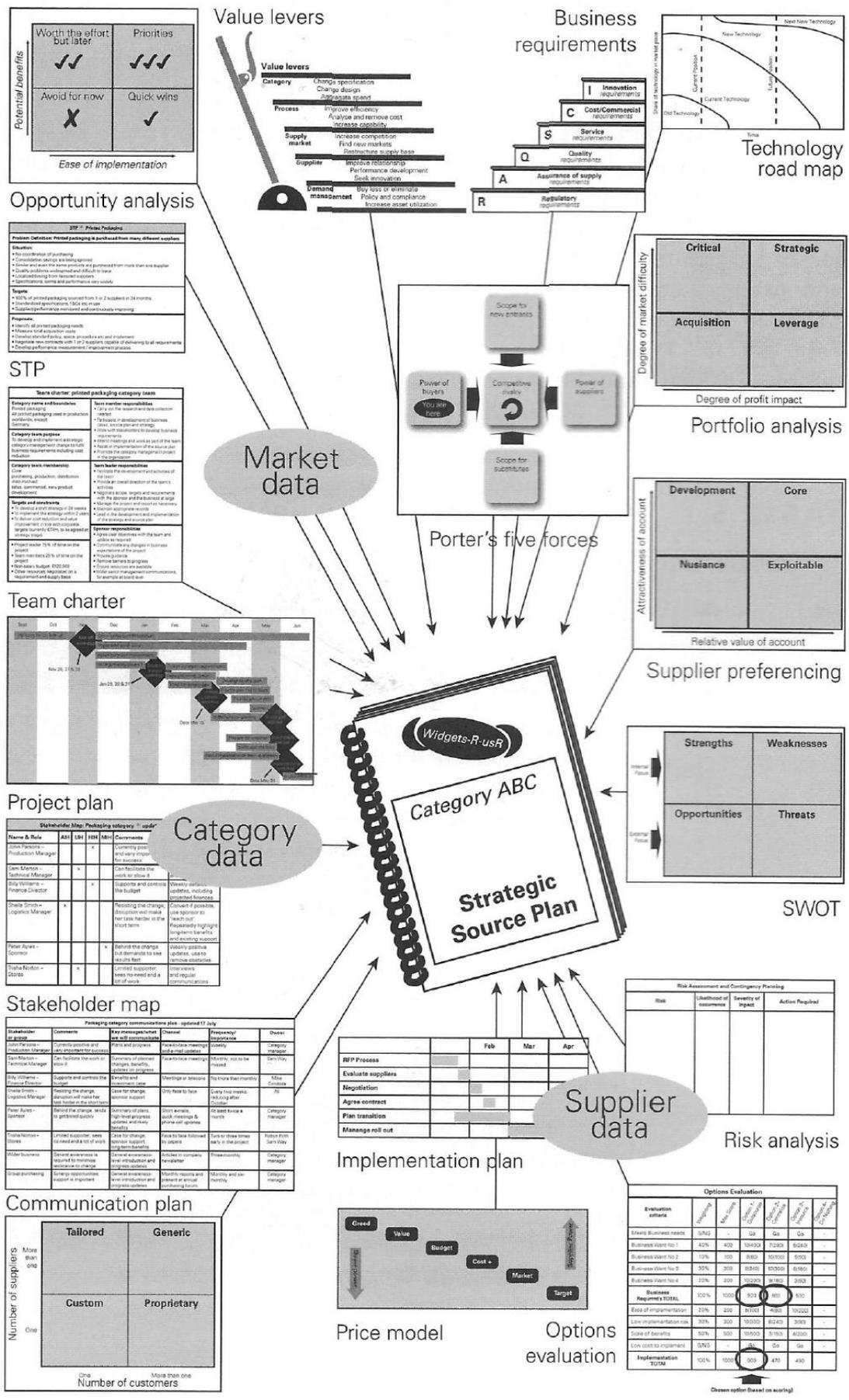


Figure 3.14: Inputs to a strategic category source plan (O'Brien, 2012).

How extensive or simple a category source plan should be can for example be decided based on complexity of change and number and variety of stakeholders, see *Figure 3.15* (O'Brien, 2015).

Number and variety of stakeholders	Many/Varied	Focus on why the change is necessary <i>Typically, medium-length document</i>	Detailed source plan, focus on securing wide scale buy-in <i>Typically, lengthy document</i>
	Few	Simple source plan to secure go-ahead <i>Typically, short document, maybe only few pages</i>	Focus on how the change will be implemented <i>Typically, medium-length document</i>
		Simple	Complex
		Complexity of change	

Figure 3.15: Typical category source plan document length (O'Brien, 2015).

Before the implementation phase can begin within the category in the next stage, the source plan sign-off need to take place and it is typically approved in one of the following ways (O'Brien, 2015, p.263):

- The sponsor signs off the source plan by consulting with key stakeholders
- The key stakeholders and sponsor sign of the source plan collectively
- The sponsor takes the source plan and solicits sign-off from the relevant authority (or the executive team)

3.3.3. Category management governance structure

Van Weele (2014) means that the proposed category sourcing plan developed by a category sourcing team need to be presented frequently to the board of directors and senior management. If in line with their expectations an approval is made by senior management and the actual sourcing process execution phase can begin on category level. O'Brien (2015, p.268) means that "implementation is about turning the future sourcing strategy defined in the source plan into reality" and often it is the category manager that is responsible to implement the category sourcing strategy. Furthermore, van Weele (2014, p.203) states that "it must be realized that category teams within multinational companies in most cases serve the interest of many business units, who all need to be represented at certain stages in the process". Due to this fact, it is essential that governance structures are well deployed throughout the organisation, not only to facilitate the category management process but to facilitate strategic initiatives in general. O'Brien (2015) presents the *5P governance framework* seen in *Figure 3.16* as a mean to do this. A steering group is in the centre of the governance structure with some of the following responsibilities (O'Brien, 2015, pp.381-382):

- Assume overall responsibility and accountability for all category, supplier or strategic procurement programmes

- Determine and prioritise the category or supplier opportunities
- Ensure a planned approach to individual category or supplier projects to support achievement of defined overall programme objectives, benefit targets and timing
- Monitor the programme, receive and review reports from project teams and report on overall progress against the plan (category source plan) to the executive team and wider business
- Ensure the right capability and resources are in place to deliver the programme
- Initiate positive communication concerning the programme, on-going progress and success to the wider business
- Resolve any issues or remove obstacles

O'Brien (2015) stresses that an extra function, labelled programme office in *Figure 3.16*, often is necessary to support the steering group with analytical and administrative tasks as well as programme management. A programme manager can for instance compile separate project reports to condensed reports further communicated to a steering group and top management.

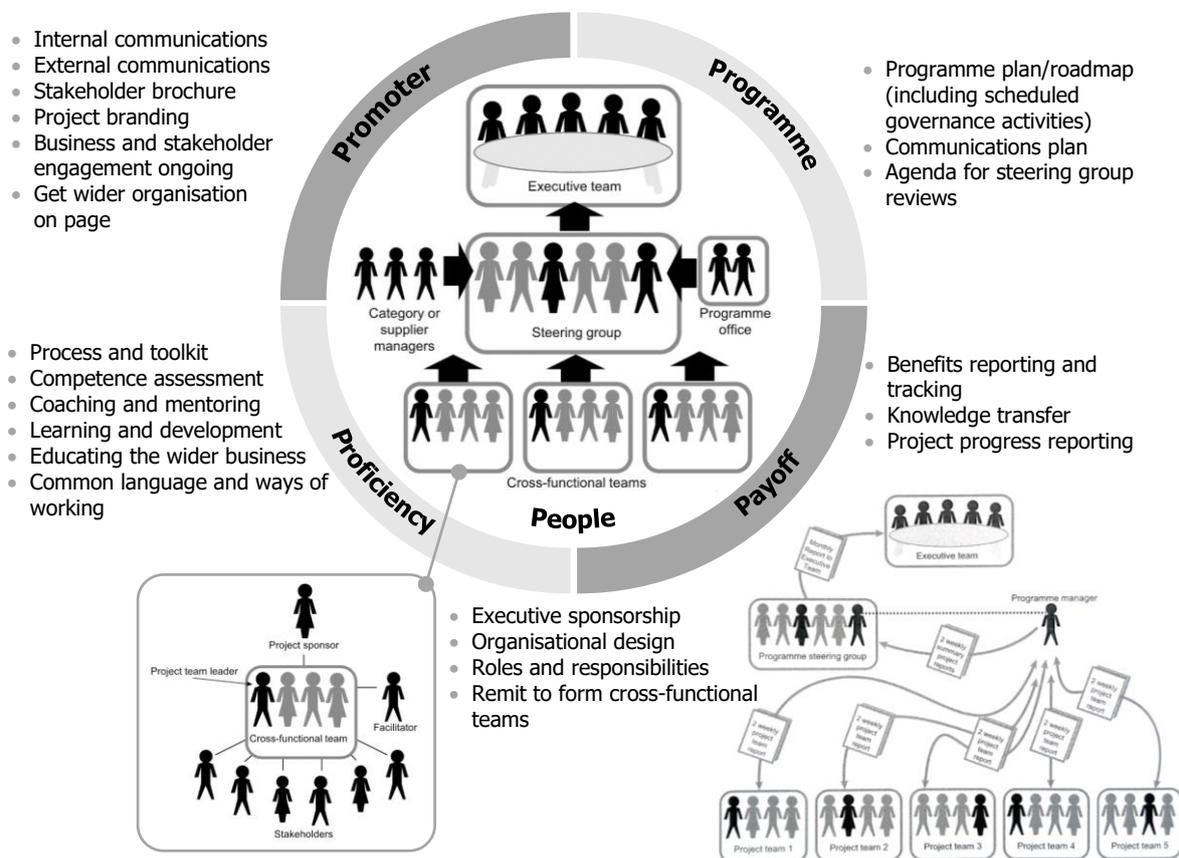


Figure 3.16: The 5P governance framework consisting of people, proficiency, promote, payoff and programme. Adapted based on O'Brien (2015).

3.4. Strategic sourcing and category management at IKEA

Magnus Carlsson, with 25 years of experience of strategic sourcing at IKEA, wrote recently a book called *Strategic Sourcing and Category Management – Lessons Learned at IKEA*. The book is publicly available material that draw on his personal practical knowledge at IKEA from roles such as Purchasing Manager in many international purchasing offices, Head of Global Sourcing for

textile, metal and veneer, and Strategic Manager for the supply chain organisation aiming to develop, lead and implement IKEA’s purchasing strategy. He was also responsible for leading IKEA’s procurement of raw materials and components, supplier development, the business plan process and implement category sourcing. This section highlights some of the insights Carlsson (2015) shares in his book backed up with theoretical frameworks about the category sourcing process at IKEA. This background is valuable to understand to make good Sourcing Assignment recommendations as it gives an interesting IKEA perspective which complement the empirical data collection from interviews.

3.4.1. Purchasing maturity and process problems at IKEA

Carlsson (2015) means that the different categories within IKEA have different maturity levels, and can be positioned in a five-stage framework presented by Keough (1993), see *Figure 3.17*. The value creation increases when maturity increase both in terms of reduced cost and customer benefit. IKEA’s future purchasing direction, according to Carlsson (2015), is to allocate the 20% of high-volume and stable core products, accounting for 80% of sales, at level 4 and 5. This is done by a push strategy to create demand where competitive advantage exists or can be created. The 80% of fast-moving and more local products, accounting for 20% of sales, will most likely be at levels 2 and 3. This is achieved through a pull strategy to satisfy customer needs. Basically, IKEA conduct its purchasing spanning the latter four levels in the framework developed by Keough (1993). Most of IKEA’s purchasing categories can be classified as being on either level 3 or 4 with some exceptions having reached level 5, for instance products like the LACK table (Carlsson, 2015).

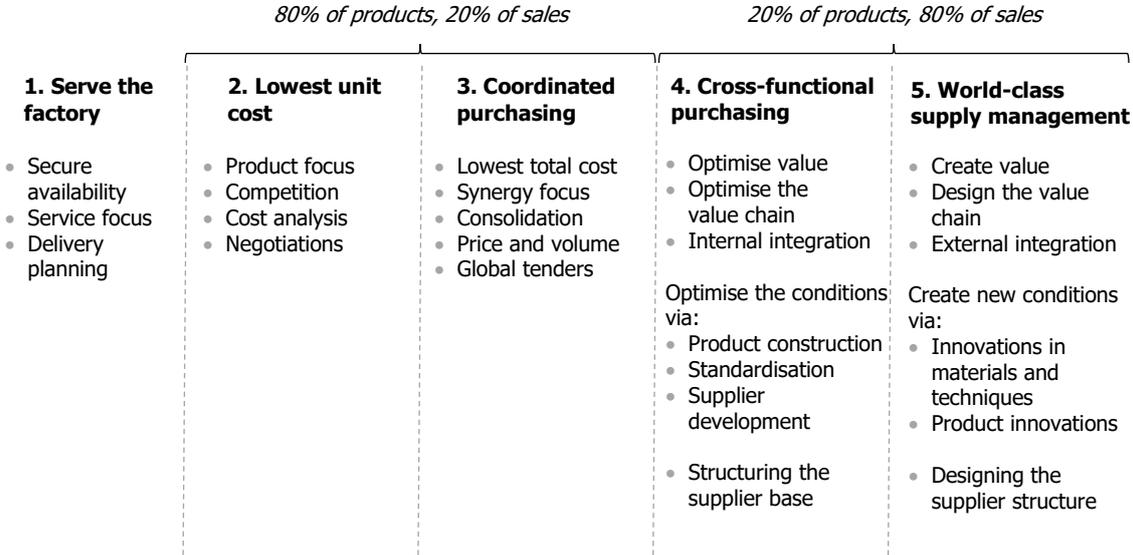


Figure 3.17: Maturity levels of purchasing at IKEA. Adapted based on Carlsson (2015) and Keough (1993).

Carlsson (2015, p.128, p.25) states that “a category-sourcing organisation often leads to increased internal coordination and several interfaces between categories and business units” and goes on by stating that “category sourcing is a process whether the company wants to describe it as such or not [and] there are considerable advantages in using a well-developed and transparent process, but if it is specified in too much detail and has too many rules it can stifle the organisation”. Further, strategic sourcing at IKEA is conducted with a large toolbox consisting of a wide range of activities. However, usually different

category teams interpret activities differently, consequently leading to several individual processes of how category sourcing is done at IKEA.

“The quality of these individual processes varies depending on the competence level of those involved. There are category managers and teams that time and again deliver exceptional results, yet make it look so easy. There are also those who most of the time seems to struggle with categories that seem complex, difficult to understand, and with limited potential. Some managers can easily describe how they lead their category, while others find it difficult to verbalise. Some have an intuitive ability but their way of leading the team is not communicative, and may seem ad hoc. The best category managers are skilled in communication and know when and how strategic activities are carried out; they have a good process and they have the ability to lead their teams.” (Carlsson, 2015, pp.20-21)

Table 3.6 summarises a few characteristics compared for one common process and several individual processes. Clearly, a common process has the upper hand if executed in the right way. Moreover, a good process should not force sourcing teams to work mechanically through detailed process descriptions since focus will then shift to following templates rather than actual business challenges which require creative thinking (Carlsson, 2015).

Table 3.6: Difference between having a common process and several individual processes (Carlsson, 2015).

Common process	Several individual processes
<ul style="list-style-type: none"> • The company’s best method • Common terminology • Common and transparent tools • Easy to train new team members • Many people improve the way of working • Facilitates job rotation • The process leads to the goals 	<ul style="list-style-type: none"> • Several methods of differing quality • Different ways of saying the same thing • Individual tools and ways to communicate • Everyone has to learn different methods • I improve my own way of working • Complicates job rotation • The accuracy of the process varies

“In an environment such as this [IKEA’s] problems would quickly arise if hundreds of purchasing professionals had their own sourcing processes with their own models, using different terminology to say the same thing. Those involved cannot spend all their time trying to understand the words and the models used in one particular category but not, for some strange reason, in the next one. It is wasteful and time-consuming to have processes that disappear when one leaves the company and others are invented when someone new joins the team. IKEA needs a simple way of working that encourages cooperation, problem-solving and creativity, while at the same time minimising misunderstandings and lack of clarity. Above all, IKEA needs processes that support the teams to achieve its goals.” (Carlsson, 2015, p.24)

Clearly, there seem to exist a need for more standardised processes within category sourcing teams at IKEA, at least according to Carlsson’s (2015) own experience. The process leading up to a Sourcing Assignment precedes the processes at category level which Carlsson (2015) describe. However, it is reasonable to believe that a lot of similarities exists with Sourcing Assignment processes within IKEA.

3.4.2. Strategic category sourcing process at IKEA

Carlsson (2015) describes IKEA's category sourcing process with help of the DMAIC-process⁶ (Define, Measure, Analyse, Improve and Control), see *Figure 3.18*. However, this process is mainly related to how category sourcing teams work toward suppliers, not toward internal stakeholders. IKEA's Sourcing Assignments are done before the DMAIC-process depicted by Carlsson (2015) even begins if seen as input to category BPLs/APLs. Therefore, only some informative highlights of the define step and the project plan from the measure step are presented in this section.

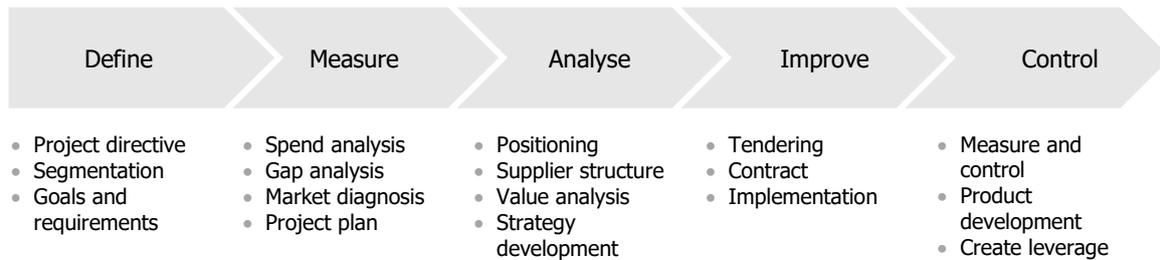


Figure 3.18: IKEA's category sourcing process described by the DMAIC-process. Adapted based on Carlsson (2015).

Basically, the category team's assignment "is to turn the project directive into a well-defined project plan that sets out measurable goals and milestones, and the resources that will be required to achieve them" (Carlsson, 2015, p.34). The *project directive* can as minimum contain (Carlsson, 2015):

- The scope, purpose and overarching objectives of the project
- Information on authority, limitations and resources
- How information and work in progress should be reported
- Decision-making and organisation of the steering group
- Details of the important stakeholders

Further, a segmentation is done on products based on similar manufacturing processes. An internal coordination is done between business areas and categories, see *Figure 3.19*. Products made from similar materials in the independent business areas are grouped together to segments within categories. This internal coordination enables IKEA to source larger volumes and to better take advantage of synergy effects across categories than if the products in various business areas would be sourced individually (Carlsson, 2015).

Categories have a dialogue with the business areas, responsible for commercial and approving category sourcing projects, and other stakeholders, to understand the customer needs as well as business objectives, goals and requirements (Carlsson, 2015). The category sourcing team map the goals and requirements for the segments. For example (Carlsson, 2015, pp.37-38):

- Product-specific goals and requirements (e.g. price, quality, product specifications, expected selling volumes, product lifecycle, customer needs and demands)
- Overarching objectives and requirement (e.g. code of conduct, environmental issues, long-term quality and logistics objectives, specific market requirements for supplier base)
- Other possibilities (e.g. new materials, functions and technical solutions, price elasticity, standardisation, bottlenecks)

⁶ This is not necessarily how categories work at IKEA but rather an illustrative description by Carlsson (2015).

- Limiting factors (e.g. existing supplier agreements, product development projects)
- Ways of working (e.g. same working procedures in supplier interaction)

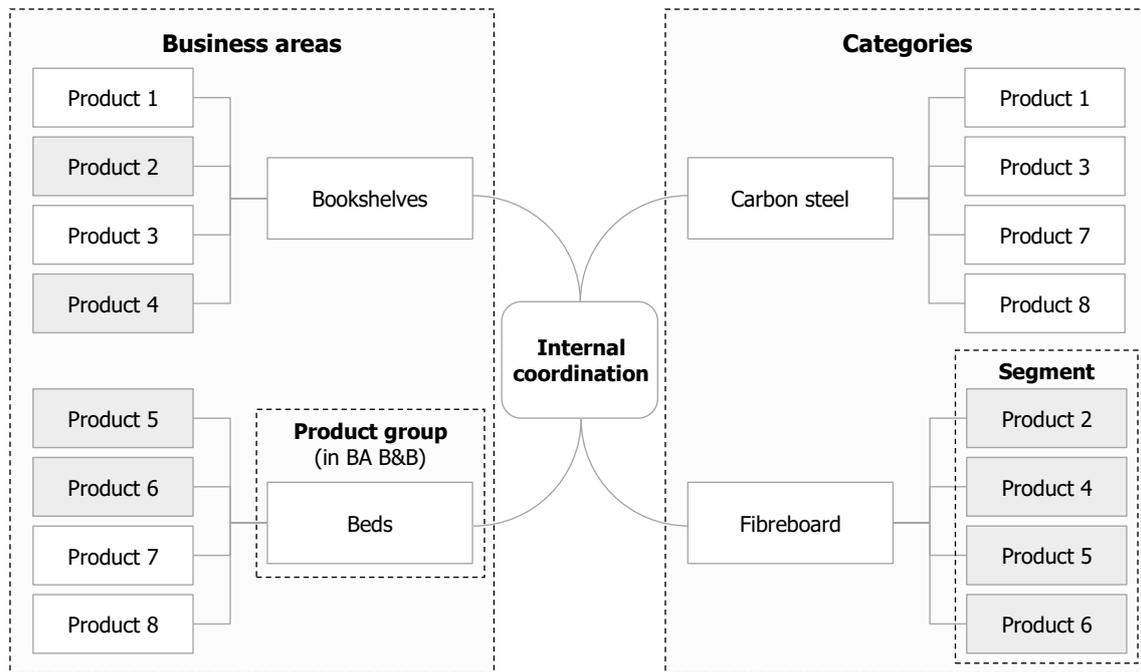


Figure 3.19: Products are segmented into categories through internal coordination. Adapted based on Carlsson (2015).

In the measure step, a spend analysis, gap analysis and market diagnosis is done in the categories. Then, the gained insights and the previously specified project directive is reviewed together with business areas. If agreement is reached it is documented in *category project plans*, that can contain as minimum (Carlsson, 2015, p.69):

- Specific and measurable goals for the sourcing project
- An action plan including actions, milestones and responsible people
- Organisation and resources
- Decision-making forum, authorities, limitations and steering group
- Information management, stakeholders and confidentiality

3.5. Sourcing Assignment versus theory

There does not seem to exist a Sourcing Assignment equivalent in the theory for category management in purchasing. Also, it seems like the category level of strategy development in purchasing has just recently gained attention in the form of *category sourcing lever tactics* (Holger & Schiele, 2016). However, some similar *strategic documents* are mentioned like Capgemini's (2013) *category plan*, O'Brien's (2015) *category source plan* and van Weele's (2014) *category sourcing plan*. None of these documents can be directly translated to the Sourcing Assignment but rather share similarities with IKEA's *category business plans/action plans*. Carlsson (2015) mentions that IKEA's category teams translate high-level *project directives* into well-defined *category project plans*. However, this is done on project level in categories, i.e. operational level after a Sourcing Assignment, but notably Carlsson (2015) mentions that there is an ongoing dialogue and agreement with business areas. In *Figure 3.4*, a Sourcing Assignment corresponds closest to a

document related to creating internal business alignment which then become an input for the category plan development process.

O'Brien (2015) describes a sub-process leading to a *strategic option definition document*, that specifies the chosen category strategy option, containing e.g. short-term, medium-term and long-term activities. It is done prior to a category source plan is formally documented and signed-off in the *5i category management process*. This shares some similarities with when a Sourcing Assignment is made compared to category business/action plan processes in IKEA's year cycle. Capgemini (2013) and O'Brien (2015) stress the importance of periodical reviews of category source plans throughout the process. IKEA's business cycle related to HFB BPLs/APLs and category BPLs/APLs as well as the Sourcing Assignment concept, is also formulated to be updated on a regular yearly basis, see *Figure 4.6*. Thus, the wider process aspect at IKEA is necessary to understand to position Sourcing Assignments in relation to strategic category documents mentioned in theory.

To conclude, it seems like Sourcing Assignments fits into the category planning process and category management process rather naturally as business alignment and strategy formulation play a vital role. However, a Sourcing Assignment equivalent does not seem to be recognised as a pivotal document in theory, which is the case with category source/sourcing plans. *Figure 3.20* summarises some key takeaways from the theoretical frame of reference chapter.

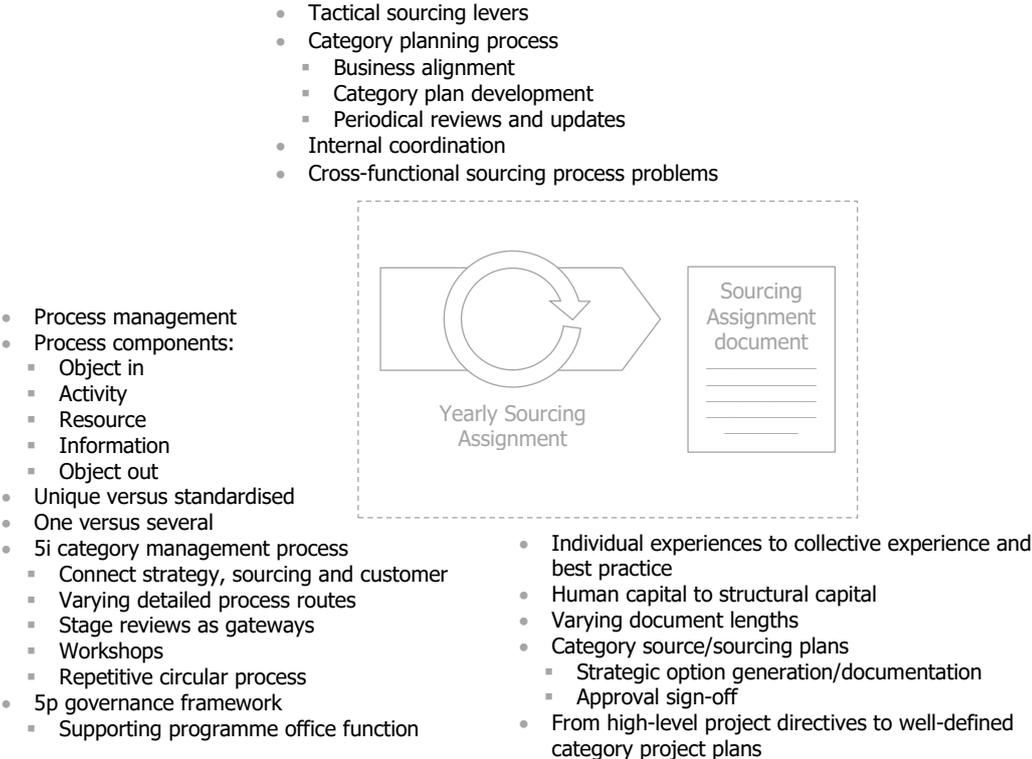


Figure 3.20: Some key takeaways from the theoretical frame of reference chapter surrounding the two units of analysis.

3.6. Research model

There is a yearly process cycle and document which Sourcing Assignment constitute of, i.e. the two units of analysis. It will be necessary to collect similar empirical data and cross-case analyse it in a structured way to find internal best practice through an internal benchmark within IKEA

and to suggest recommendations for a better way of working. *Figure 3.21* show a conceptual research model capturing elements permeating the case descriptions and the internal benchmarking.

A Sourcing Assignment is signed by both BA/HFB and category representatives. The research model illustrates that these two perspectives, i.e. both the BA/HFB and category organisation within IKEA Range & Supply, must be considered when conducting the internal benchmark to identify best practice. It need to be noted that there exists a continuously ongoing informal dialogue separately from Sourcing Assignment in the cross-organisational interface between BAs/HFBs and categories. Also, there are several processes and documents in BAs/HFBs and categories that are either directly or indirectly related to Sourcing Assignment. Therefore, it is necessary to study Sourcing Assignment in relation to these and not in isolation from the rest of IKEA's official year cycle and the IKEA way of working, see *Section 4.2* for an elaboration. The yearly business plan (BPL) processes and action plan (APL) processes in BAs/HFBs and categories along with related documents is consequently part of the research model. Moreover, the model depicts that the Sourcing Assignment starter package (status quo), i.e. the initially distributed Word template, Excel checklist and PowerPoint presentation, has been the inspirational source for BAs to create document templates and ways of working for Sourcing Assignment before approaching categories.

Fundamentally, the research model builds on Ljungberg and Larsson's (2012) reasoning that combining individual experiences from separate processes can result in a collective best practice, see *Figure 3.7*. This means that it will be necessary to collect empirics and cross-case analyse individual Sourcing Assignment document templates and processes to identify internal best practice. Therefore, an essential part of the model is BAs *individual process approaches* toward categories and the document templates created by BAs underlying the Sourcing Assignment documents. Category comments on the BA processes and document templates are also gathered as part of the internal benchmark. Ljungberg and Larsson's (2012) process components are relevant to include in the research model to ensure proposed improvements of the Sourcing Assignment process are in line with academic theory. Focus for the analysis is on *resources* in the form of involved IKEA employees and *activities* like meetings. The Sourcing Assignment documents themselves can be viewed as both input and output to the process. *Process management* is also part of the model for the process unit of analysis to cross-case analyse measures that currently are taken in IKEA, and need to be introduced, to maintain a continuously steered, used and developed Sourcing Assignment process (Ljungberg & Larsson, 2012).

Besides the *document templates* the analysis for the document unit of analysis focuses on the actual agreements between SCMs and CMs, i.e. the *agreed actions* which in fact is the essence of a Sourcing Assignment document. Further, the *document time horizon* for Sourcing Assignments is relevant and part of the research model since status quo defined primary focus to be in tactical time horizon while mentioning coverage of operational and strategic to be applicable as well. Ljungberg and Larsson (2012) mention the importance to convert human capital to structural capital by documentation to facilitate continuous improvement of an established process why the *document role* also is part of the analysis in the research model.

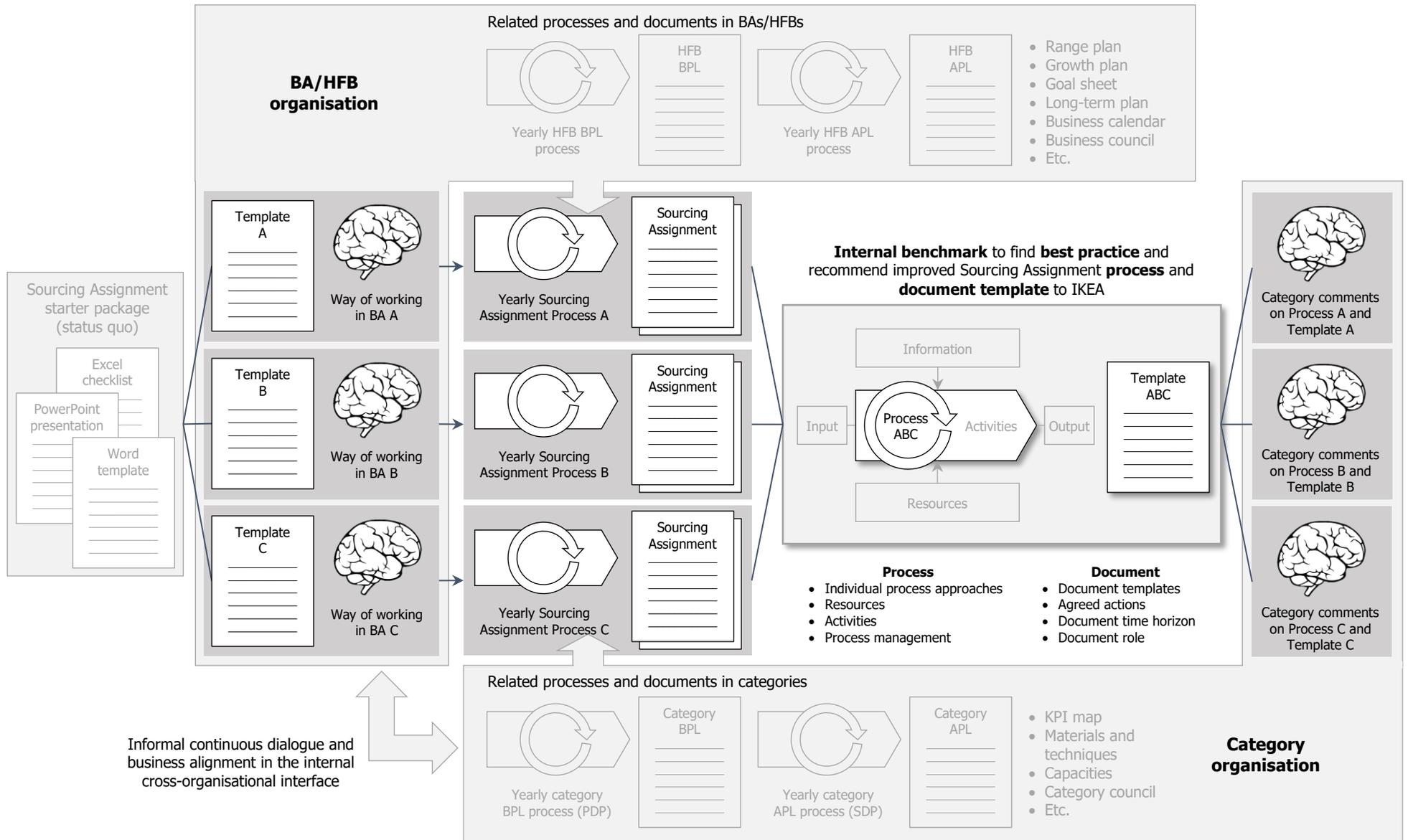


Figure 3.21: Research model that the master's thesis empirical data collection and cross-case analysis are structured around.

4. Empirical data

This chapter presents the underlying IKEA context related to Sourcing Assignment necessary to understand before reading the detailed Sourcing Assignment cases. The empirical data capture how BA LWR, BA B&B, BA K&D, BA Lighting, BA Textiles and BA OSOF work together with several different categories on Sourcing Assignments. The 6 extensive case descriptions can be found in its entirety in Appendix 1 and only the structure of each case is described here. The IKEA way of working sub-chapter describes where in the existing IKEA-internal process landscape Sourcing Assignments come into play.

4.1. Explanation of case descriptions

Focus can be directed to the first three case descriptions in *Appendix 1*, since BA LWR, BA B&B and BA K&D represent majority of total notified purchase value for IKEA, and the condensed summary tables in *Appendix 2*. However, to get the full picture, all 6 case descriptions in *Appendix 1* are recommended to be read through before proceeding to the cross-case analysis chapter. Summary tables occurring throughout the case descriptions capture interviewee comments compiled by the author about good examples, potential problems identified and implications for desired way of working. Good examples, problems and desired way of working are categorised within the summary tables under three headings, namely Sourcing Assignment process, Sourcing Assignment document and Processes and documents related to Sourcing Assignment. Both BA and category viewpoints are presented for the cases under the below listed main headings.

- Sourcing Assignment case context
- Sourcing Assignment process (BA X's current way of working)
 - Summary table
- Sourcing Assignment document content exemplified
- Category X comments on way of working
 - Summary table

The background section pinpoints the internal power-dependency between BAs and categories by looking at percentage shares. Relations with Sourcing Assignments in place today are highlighted as well. The Sourcing Assignment work process from BA/HFB point of view, as described primarily by SCMs and SDMs is presented in the current way of working section. Then, a section briefly describes Sourcing Assignment content as well as main headings and sub-headings used. Extracts from Sourcing Assignments exemplifying how agreed actions are formulated in documents can be found in *Appendix 3*. The case descriptions end with presenting category comments on way of working from interviews with primarily CMs. Summary tables conclude the respective BA/HFB and category sections and these tables are further condensed in *Appendix 2* to facilitate the cross-case analysis.

The empirical data collection, from interviews and documents, primarily aim to answer RQ1, i.e. “How is IKEA working with Sourcing Assignment today?”. RQ2, i.e. “What is current internal best practice for IKEA’s Sourcing Assignment?”, is answered by cross-case analysing the empirical data. Also, a part of interviews was devoted to interviewees’ reflecting on a desired way of working with Sourcing Assignments. It helped to anchor recommendations with IKEA-employees current work practices. Hence, the purpose was to ensure a more practical and meaningful answer to RQ3, i.e.

“How can IKEA improve Sourcing Assignment and why?”. Next, the IKEA way of working context related to Sourcing Assignment is presented.

4.2. IKEA way of working related to Sourcing Assignment

This section present important background information regarding how Sourcing Assignment fits into the IKEA way of working (IWOW) and IKEA’s process landscape. The IWOW process landscape was introduced in 2014 at IKEA and it describes on a very high level how the needs of the many people are satisfied, see *Figure 4.2*. The process landscape should not be viewed linearly but rather as a continuous circular process repeating itself on a yearly basis in a web of complex interdependent linkages. Steering processes, core processes and enabling processes are distinguished between in IKEA much in analogy with Ljungberg and Larsson (2012). The steering processes capture the connection IKEA’s overall strategic landscape, see *Figure 4.1*, has with the IWOW process landscape. The steering processes aim to develop IKEA’s direction, strategies and steering documents, and optimise business performance via BPLs and APLs. The core processes consist of numerous sub-processes which drive IKEA’s day to day work (IKEA, 2017A).

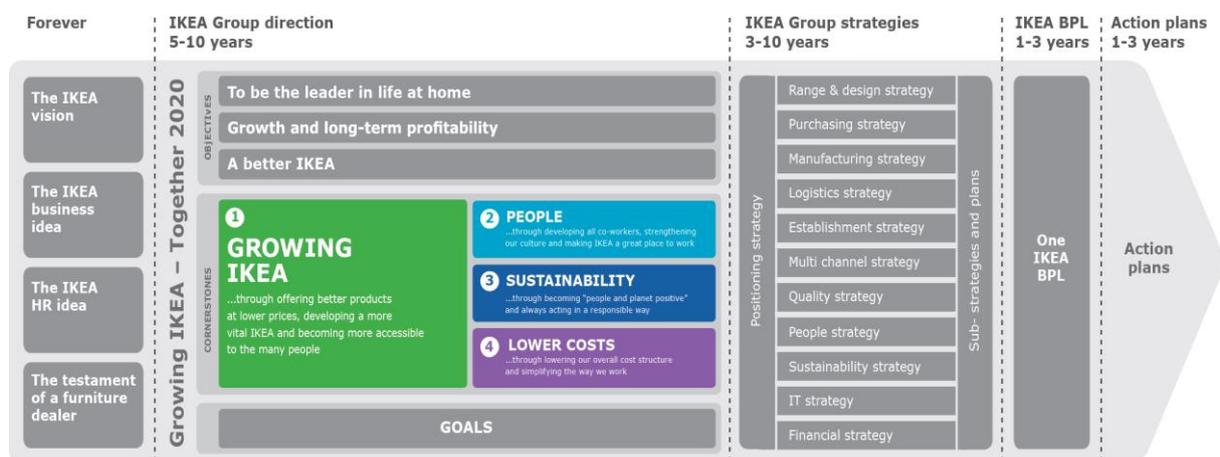


Figure 4.1: IKEA’s strategic landscape and BPLs/APLs underpinning the core processes (IKEA, 2017A).

Seen in the IWOW landscape, Sourcing Assignments are created related to the core process ‘Turn the needs of the many into business plans’. The Sourcing Assignment then becomes input to the core process ‘Develop product and service capacities to meet consumer demand’. The purpose with the latter process for categories is to “optimise the value chain and define a world class supplier base satisfying short and long-term capacity and quality demands based on Sourcing Assignments from HFBs” (IKEA, 2017A). A process owner, IKEA’s Purchasing Manager, and a process leader, IKEA’s Purchasing Development Manager, from top management have been assigned for the ‘Develop product and service capacities to meet consumer demand’ core process.

In turn, the ‘Develop product and service capacities to meet consumer demand’ core process consists of sub-processes, among others, the Purchasing Development Process (PDP) and Supplier Development Process (SDP), see *Figure 4.5* for a zoomed in view of the process steps in these processes. The PDP and SDP are led by categories. The purpose with the PDP is to develop category BPLs within categories, i.e. the PDP is the category BPL process. Based on these BPLs, categories create individual supplier APLs through the SDP, i.e. the SDP is the category APL process. The SDP focuses on what individual suppliers can influence, e.g. productivity, lean, material utilisation, raw material purchase, logistics, quality improvements, sustainability

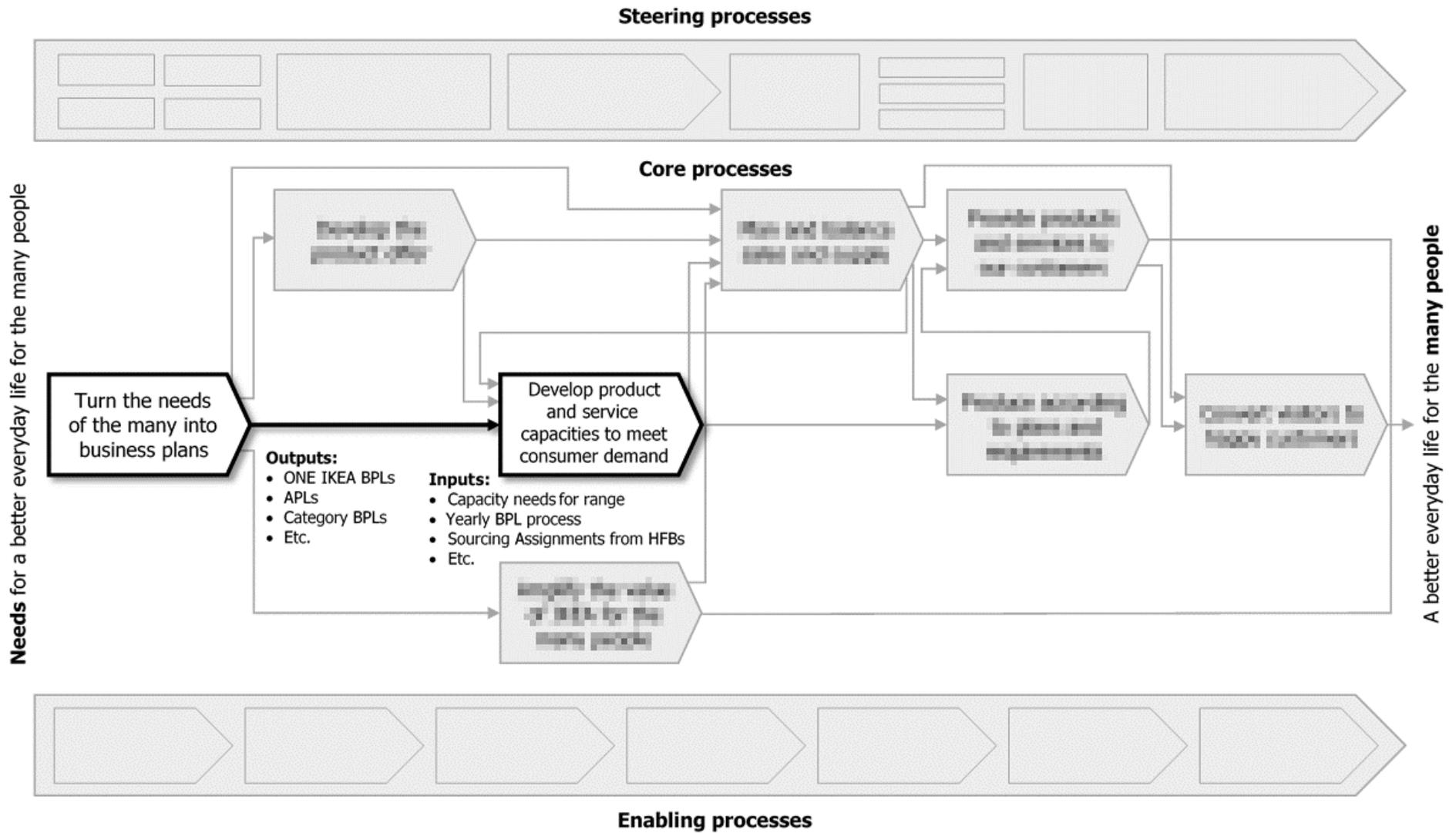


Figure 4.2: The IKEA way of working (IWOW) process map. Sourcing Assignments can be viewed as an input to the 'Develop product and service capacities to meet consumer demand' core process. Adapted based on IKEA (2017A).

compliance, volume and price development etc. in the coming FY (IKEA, 2017B). Further, the SDP should result in activities and projects with descriptions, time plans, measurable results and responsible persons (IKEA, 2017B). Sourcing Assignments are an important input to the IKEA Offer step in both the PDP and SDP processes, see *Figure 4.6* for an overview of BAs/HFBs and categories yearly business cycles. It can also be mentioned here that the availability/capacity focused BCP process, also led by categories and more specifically the CMs, include an IKEA Offer process step which both CMs and SCMs have been defined as responsible for (IKEA, 2015).

Within BAs/HFBs the Develop the Product Offer Process (DPOP) aims to continuously improve and develop the IKEA Offer and product range sold to customers (IKEA, 2017A). DPOP is an essential part of a core process in the IWOW process map that aims to improve the product offer for the many people. The interface between the DPOP, PDP and SDP processes are summarised in *Figure 4.3*.

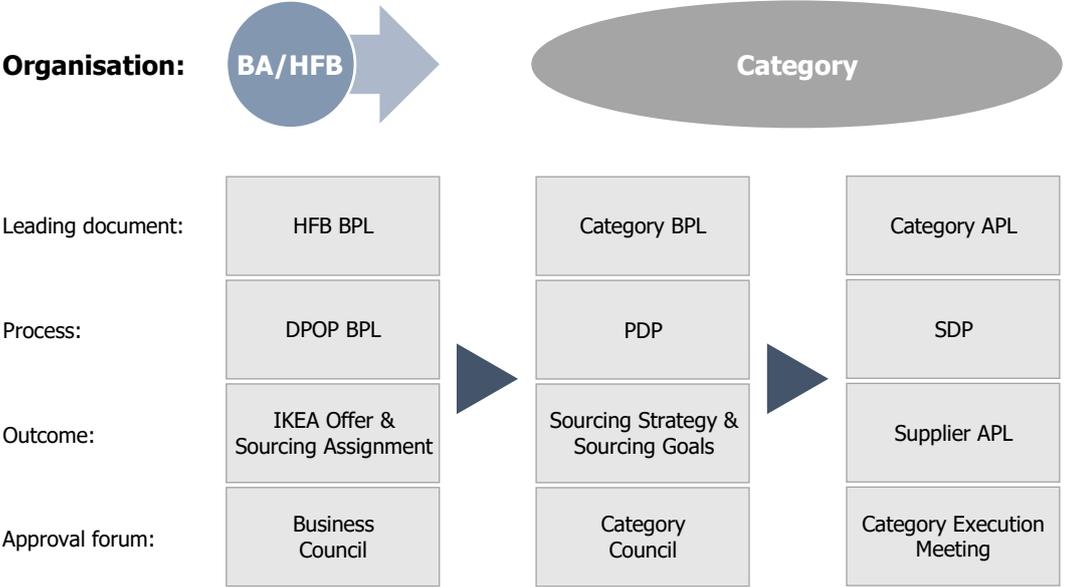


Figure 4.3: Interfaces between BA/HFB and category via DPOP, PDP and SDP. Adapted based on IKEA (2017B).

As seen in *Figure 4.3*, Sourcing Assignments together with the IKEA Offer are an important output from BAs/HFBs which become input to categories, i.e. if Sourcing Assignment is strictly viewed as a linear output and input. Sourcing Assignment is connected to the IKEA Offer step in the category BPL process (PDP) and category APL process (SDP) and more specifically the Range & Sales Development sub-step within the IKEA Offer step, see *Figure 4.4* and *Figure 4.5*. The IKEA Offer step aims to “create an understanding of what IKEA wants to achieve and how this transfers into a portfolio of business requirements and needs which influences the category and sets goals for sourcing...it is also about how the category can influence and contribute to IKEA Offer” (IKEA, 2016D). From a category viewpoint, the Range & Sales Development sub-step should “create a dialogue and understanding of your stakeholders [e.g. BA/HFB] business requirements and needs with Sourcing Assignment as starting point” (IKEA, 2016D).

When BAs/HFBs have developed the IKEA Offer and product range, among others via the DPOP, and handed it over to the IKEA Offer step in categories, it becomes the categories that explore how IKEA’s business needs, related to sourcing, can be realised via the PDP and SDP.

Basically, one of the goals in the categories is to close the gap to IKEA Offer by delivering quantified sourcing goals from translating the BA/HFB needs concerning e.g. total cost reduction, quality, availability, volume and capacities, sustainability and growth (IKEA, 2016D). Categories should also develop plans for the planned BA/HFB ranges on both global and market specific level. Sourcing Assignment is an underlying tool/source for categories in this work together with other input to the category in the form of e.g. IKEA’s strategic landscape, important plans, strategies and fact sheets from stakeholders like BAs/HFBs.

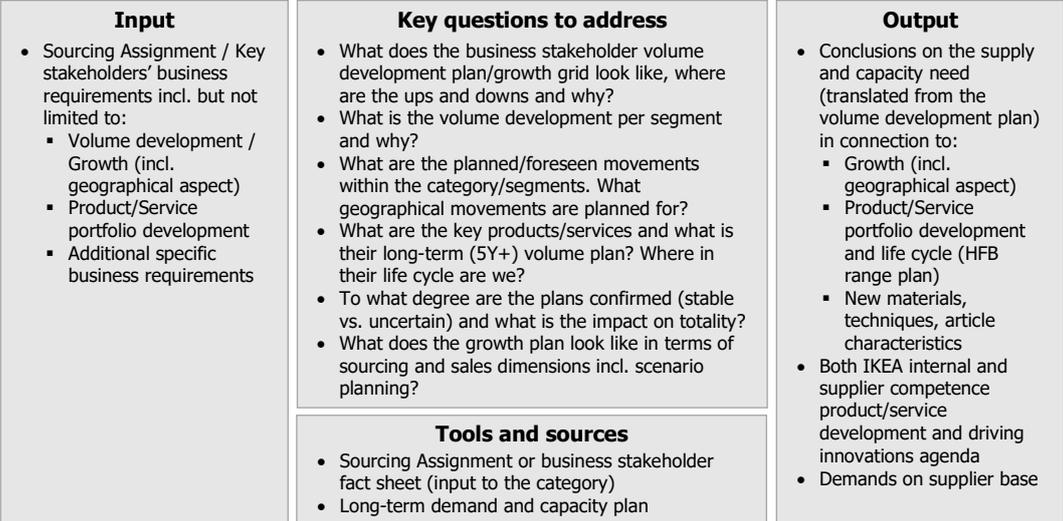


Figure 4.4: Description of the Range & Sales Development sub-step for IKEA Offer in the PDP/SDP (IKEA, 2016D).

Sourcing Assignment can also be viewed as an input back to BAs/HFBs when category SWOT input is collected in the ‘Where are we now’ sub-step in the HFB BPL process during autumn, see Figure 4.6 and Figure 4.7. In fact, information from all parts of the value chain is gathered as input in the ‘Where are we now’ sub-step in the HFB BPL process. SWOT input collected downstream in the supply chain, i.e. in connection to categories and suppliers, are supposed to feed into BAs/HFBs during autumn. It was not specified originally by the concept creators that category SWOT input to HFB BPLs should be integrated within Sourcing Assignment. But it was made clear that Sourcing Assignment was supposed to feed into category BPLs and APLs via IKEA Offer, see Figure 4.7.

To conclude, Sourcing Assignment is an internal agreement between BAs/HFBs and categories that link together essential processes in the IWOW process landscape and IKEA’s yearly business cycle. When BAs/HFBs finalise the yearly HFB BPL, it is up to the BA to secure implementation via categories of the future direction via relevant agreements like for instance the Sourcing Assignments. Then, partly based on the Sourcing Assignments, categories develop and drive IKEA’s sourcing and purchasing activities through projects executed across the supplier base.

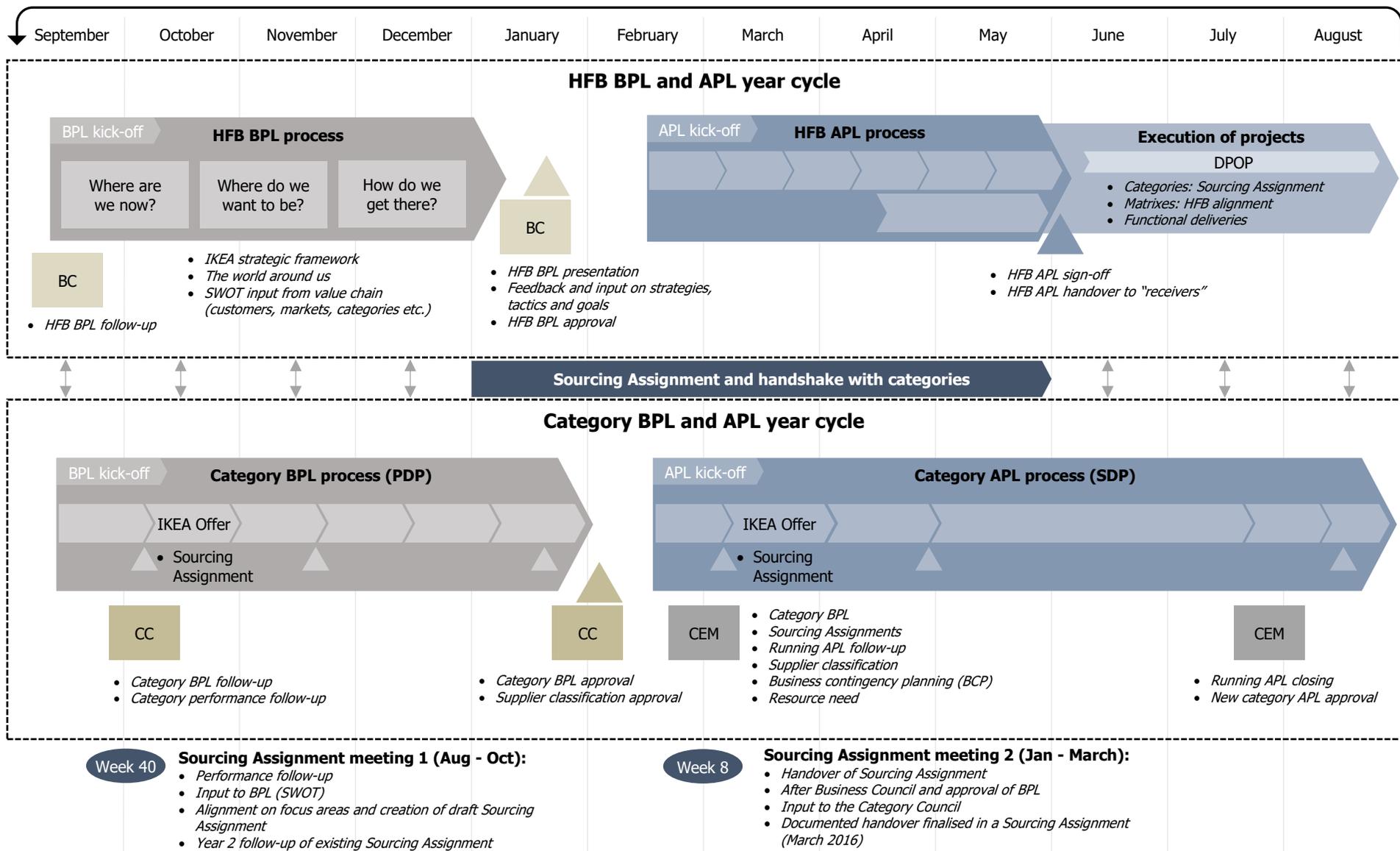


Figure 4.6: BA/HFB and category year cycles. The FY17 HFB BPL guidelines state Sourcing Assignment occur between January and May. Adapted based on IKEA (2017A).

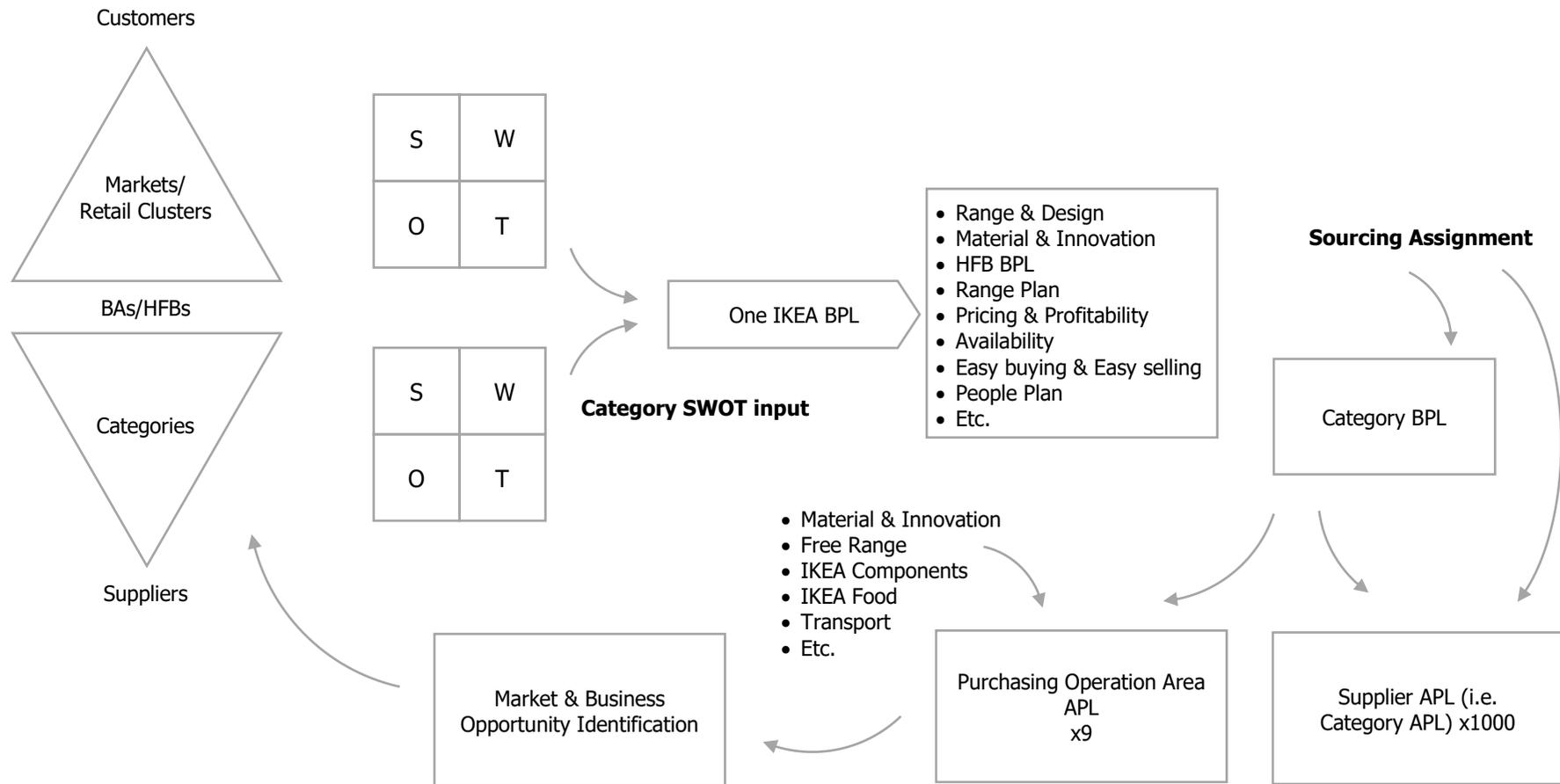


Figure 4.7: Overview of where category SWOT input and Sourcing Assignment come into play. Adapted based on IKEA (2017A).

5. Cross-case analysis

This chapter aims to identify elements that should be included or excluded in a best practice way of working with the Sourcing Assignment process and document respectively. The resulting elements are built into the developed construct presented in Chapter 6. The cross-case analysis is outlined based on the case descriptions found in Appendix 1 and the summary tables presented in Appendix 2. Focus is on the two units of analysis, namely the yearly Sourcing Assignment process and the Sourcing Assignment document. Empirical data about internal processes and documents related to Sourcing Assignment is analysed briefly.

The 6 detailed case descriptions in *Appendix 1* capture *potential problems identified and implications for desired way of working* which are cross-case analysed together in this chapter. Interview material is mostly analysed on case level, i.e. interviewees collective viewpoints per case. The cross-case analysis is done under the following main headings:

- Sourcing Assignment process
- Sourcing Assignment document
- Processes and documents related to Sourcing Assignment

The analysis is of qualitative and argumentative nature and naturally influenced by the authors analytical ability and judgement regarding elements to include or exclude. Comments received from interviewees on desired way of working and features outlined in the theoretical frame of reference are incorporated into the analysis. Following an inductive research process resulted in some gaps in the data collection and consequently the cross-case analysis, see *Section 8.3* for an elaboration on limitations.

5.1. Sourcing Assignment process

In this sub-section, the cases are analysed against each other to point out problems in the current Sourcing Assignment processes and identify measures to overcome them. The parts of the research model that are in focus in this section are coloured dark grey in *Figure 5.1*. The cross-case analysis of the processes is conducted under the below listed main headings with supportive sub-headings occurring throughout the text.

- Individual process approaches
- Resources
- Activities
- Process management

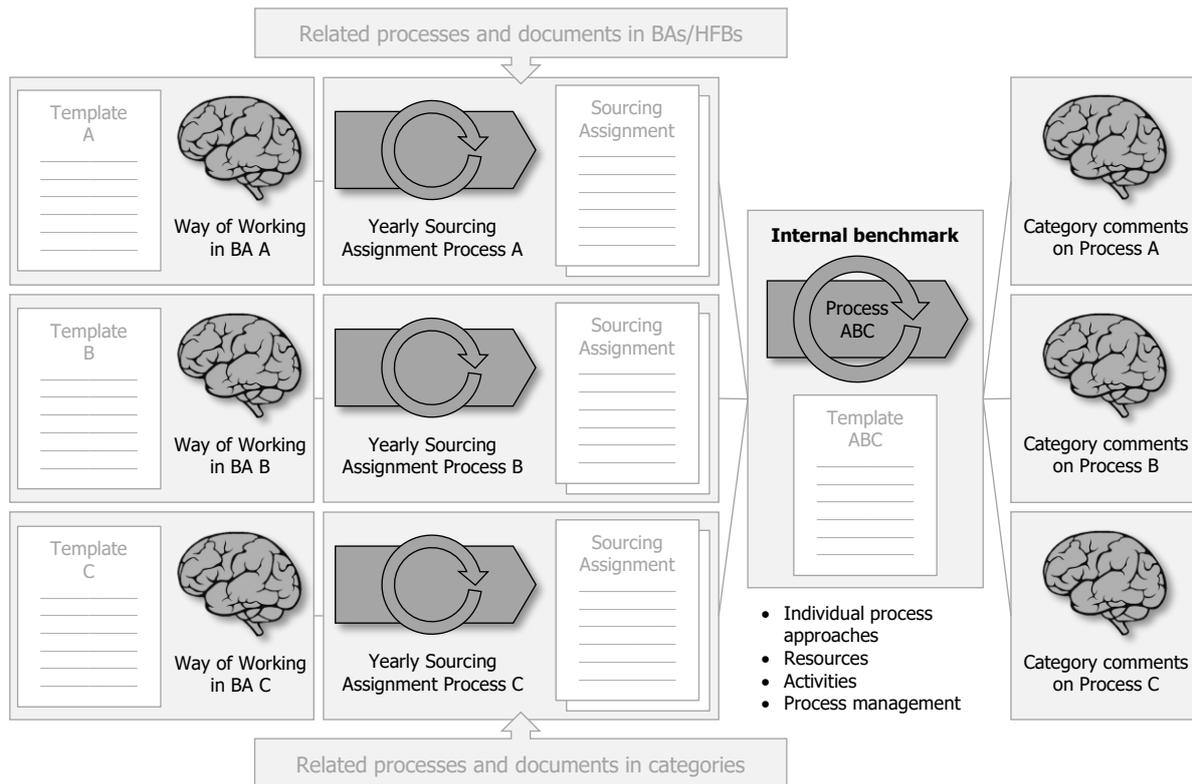


Figure 5.1: Focused parts from the research model for cross-case analysing the Sourcing Assignment process.

5.1.1. Individual process approaches

BAs have approached categories with different Sourcing Assignment processes. As can be seen in Table 5.1, the number of category relations for the BAs and the degree of process establishment varies between the cases. BAs in all cases except Case 4 have around 20+ category relations before applying the no-go criterion. Notably the home furnishing BAs in Case 1, Case 2 and Case 3 have many category relations applicable for Sourcing Assignment also after applying the no-go criterion. For Case 4, Case 5 and Case 6 it results in more manageable numbers. Even though the BAs in Case 3, Case 4 and Case 6 face different category complexities, Sourcing Assignment processes have been initiated with all applicable categories, i.e. an all-inclusive approach has been followed. On the other hand, the BAs in Case 2 and Case 5 have a low process establishment⁷ with the categories. Next, the identified individual process approaches are analysed.

Table 5.1: Individual process approaches and degree of Sourcing Assignment process establishment.

Cases	Approach	BA	Category	Tot. # cat. relations	# after 5% no-go	SAs	
						#	%
Case 1	"Clustering"	LWR	Category 14 Category 22	22	16	12	75%
Case 2	"Top priority"	B&B	Category 1 Category 11	25	18	5	28%
Case 3	"All-inclusive"	K&D	Category 25	23	17	17	100%
Case 4	"Short-term focus" and "All-inclusive"	Lighting	Category 20	5	2	2	100%
Case 5	"Information sharing"	Textiles	Category 16	19	5	1	20%
Case 6	"All-inclusive"	OSOF	Category 15 Category 27	21	8	9	113%

⁷ A process is considered established if a documented agreement resulted from Sourcing Assignment meetings.

Clustering approach

In Case 1, the BA deemed it impossible to strictly follow the no-go criterion due to the 16 resulting Sourcing Assignment relations with categories. Clustering became a way to reduce the number of contact points with categories and was believed to create a more efficient Sourcing Assignment process. However, categories demanded additional individual time with the BA after the clustered Sourcing Assignment meetings. A clustering approach seemed to save time and streamline the process from BA/HFB perspective. Instead it became more time-consuming than anticipated because individual Sourcing Assignment meeting time needed to be allocated. A commonality across cases is the desire to maintain Sourcing Assignment meetings individually between one BA and one category, see *Table 5.2*. A clustering approach removes the possibility to have such dialogues and is therefore probably not the correct format for Sourcing Assignment meetings, unless extraordinary circumstances motivate it. The fact that categories already are clustered in Category Areas in IKEA is not necessarily a reason to do the same with Sourcing Assignment. In fact, clustering is not considered a feasible approach by some interviewed CMs. Clustering is therefore not part of best practice but instead the importance of individual Sourcing Assignment meetings is emphasised as a crucial element.

Table 5.2: View on individual versus clustered meetings. Plus (+) means positive, zero (0) not mentioned and minus (-) negative.

Interviewees...	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Sum
...attitude toward individual meetings	+	+	+	+	+	+	++++++
...attitude toward clustered meetings	+/-*	+/-*	-	0	0	0	-
* Differing BA and category viewpoint							

Top priority approach

In Case 2, the BA decided to initiate Sourcing Assignment processes with 5 out of 18 applicable categories, i.e. the ones representing 85% of BA volume. The approach was partly explained by lack of involved resources creating a bottleneck in the BA. Two employees handled the process which made it impossible to establish extensive in-depth Sourcing Assignments with categories outside the top-5. Thorough individual meetings were arranged with the prioritised categories due to establishment of a rigid process foundation. However, the major disadvantage with the top priority approach is that the no-go criterion has been neglected. The 13 remaining categories are below 5% in the BA but above the criterion in the categories. Nevertheless, the BA excluded these categories. Interviewed CMs in this situation stated that Sourcing Assignment was desired due to the strong internal dependency on the BA but that a process would remain unestablished unless the BA changed approach. On the contrary, the BA in Case 3 managed to overcome the dilemma and initiated Sourcing Assignments with all applicable categories. But naturally the question arises whether comparatively underdeveloped processes in the all-inclusive approach in Case 3 is preferred over exclusion of categories in the top priority approach.

Ideally both BA/HFB and category perspectives are accounted for, as in Case 3, while process rigour is ensured, as in Case 2. To manage both requires removal of the resource bottleneck⁸. A top priority approach on its own cannot be considered as best practice due to the low degree of process establishment and inability to solve the internal power-dependency dilemma. However, the idea to prioritise the most important categories remains as an element to include.

⁸ See Section 5.1.2 for a cross-case analysis of resources in the form of involved employees.

All-inclusive approach

In Case 3, Case 4 and Case 6, the BAs followed an all-inclusive approach meaning that Sourcing Assignment processes was initiated with *all applicable categories*. For Case 3 it resulted in 17 Sourcing Assignments and interestingly the same amount of resources was allocated from BA-side as in Case 2. Consequently, only short meetings were arranged with all 17 categories which were treated equally time-wise. Criticism was raised from BA representatives in Case 3 that the time required for practical matters was disproportionate to the outcome of the meetings. Also, the biggest category in IKEA did not appreciate being given the same meeting time with the BA as comparatively insignificant categories with limited impact on IKEA's totality. The CM for this category preferred the top priority approach in Case 2 and suggested a restart with the BA in Case 3. This strengthens the idea to distinguish priority levels for different Sourcing Assignment relations in IKEA. It can be noted that BAs already have extensive contact separately from Sourcing Assignment with the most important categories. These informal dialogues should nevertheless not be a reason for less developed formal Sourcing Assignment processes, rather the opposite. The all-inclusive approach is best practice if looking at consideration taken to the category perspective. In fact, the BA in Case 3 has via Sourcing Assignment began to establish formal dialogues with categories otherwise rarely interacted with. This positive development was not identified to the same extent in the other cases and should be an integral part of the construct.

The BAs in Case 1, Case 2 and Case 3 understandably reason it is difficult to follow an all-inclusive approach with the existing resource allocation. The all-inclusive approach serves as inspiration for a construct but most likely requires adjustment of the resources used for Sourcing Assignments in the widespread BAs. To sum up, best practice could be considered as a synthesis between the all-inclusive approach, i.e. viewing the no-go criterion as mandatory, and the top priority approach from Case 2. An equal treatment of all categories in IKEA within the Sourcing Assignment process is hardly motivated and distinguishing priority levels is a possibility⁹. For example, a low/mid priority level and a top priority level could be followed in the Sourcing Assignment process. Lower priority implies less strict requirements on process rigour with the primary aim to ensure establishment of formal Sourcing Assignments. A distribution of all applicable categories on two process levels could look like in Table 5.3. Sourcing Assignment relations could shift priority in the rolling process since purchase volumes change over the years.

Table 5.3: Low/mid and top priority process levels across cases. # of Sourcing Assignment relations and % in BA is seen.

	Top priority*		Low/Mid priority**		No priority***	
	# SA rel.	% in BA	# SA rel.	% in BA	# SA rel.	% in BA
Case 1	5	81.7	11	17.1	6	1.2
Case 2	4	79.9	14	19.0	7	1.1
Case 3	7	84.2	10	15.3	6	0.5
Case 4	2	100.0	0	0.0	3	0.0
Case 5	3	90.4	2	5.5	14	4.1
Case 6	7	86.2	1	2.9	13	10.9
* >5% in in <i>both</i> BA and category ** >5% in <i>either</i> BA or category *** <5% in <i>both</i> BA and category						

⁹ Different process routes are suggested in the 5i category management framework by O'Brien (2015), see Section 3.3.

Short-term focus approach

In Case 4, influences from the technology sector have led to a different Sourcing Assignment approach. Generally, there is a shorter time horizon outlook for the BA in Case 4 than others due to the agenda with internet of things in a home furnishing context. This is also reflected in Sourcing Assignments which primarily treat the operational time horizon, i.e. 0-18 months ahead. However, what is defined as operational time horizon for home furnishing BAs in Case 1, Case 2 and Case 3 would also include tactical and strategic time horizon for Case 4. Therefore, time horizon definitions cannot be viewed as universal across all BAs in IKEA. The short-term focus approach requires that activities, like meetings, occur more frequently in the Sourcing Assignment process. This is facilitated by the few existing category relations which enable close cooperation by nature. For instance, the BA in Case 4 has introduced internal Supply Chain Alignment meetings several times a year at the so-called Home Weeks, which categories are invited to, as a mean to tighten the value chain. Sourcing Assignment is viewed as a complement to the meetings and therefore more continuously and consciously associated to in IKEA's rolling year cycle. Hence, the short-term focus approach in Case 4 has seemingly led to better year cycle integration of Sourcing Assignment, via Home Week meetings, compared to other cases.

A construct should allow the pre-defined time horizon boundaries for Sourcing Assignment to be modified according to BA requirements. Otherwise Sourcing Assignment, defined to focus 18-36 months ahead, would not be an applicable work tool for Case 4. Therefore, the construct will not strive for an *inflexible* one size fits all. Instead, it could allow minor deviations from a common baseline by e.g. allowing time horizon flexibility. Sourcing Assignment relations within IKEA are unique and require some customisation possibility built into a construct¹⁰. A balance will be strived for where a companywide baseline process approach is preserved while some optionality exists. A construct should encourage other BAs to follow the footsteps of Case 4 regarding Sourcing Assignment integration but short-term inclusion might not be the best way¹¹.

Information sharing approach

In Case 5, the BA stated that the 5 applicable categories were met for Sourcing Assignment. However, only with one category did the process yield a formal agreement. The BA had extensive presentation material toward categories but with majority of categories the inability to conclude in the process became apparent. An information sharing approach, leading to information overflow, caused the low degree of formal process establishment. The BA in Case 5 has so far used meetings as an opportunity to primarily exchange information with categories rather than establishing mutual dialogues. Also, agreements mostly remained in meeting attendees' minds instead of being documented. Obviously problematic situations can arise in the process if e.g. previous discussions are forgotten or employees are replaced. Sourcing Assignment will not be highlighted as an informal information sharing meeting in the construct. Instead emphasis is on forcing formal documentation of dialogues throughout IKEA which ensure transfer of human capital to structural capital¹².

¹⁰ Ljungberg and Larsson (2012) state that there is a balance between flexibility (unique process ensured by competence) and efficiency (standardised process ensured by process structure), see *Figure 3.6*.

¹¹ See *Section 5.1.3* and heading *Time horizon in meetings* for an elaboration.

¹² Converting human capital to structural capital, and vice versa, can facilitate process establishment and continuous process improvement, see *Figure 3.7*.

A collective process approach^{13, 14}

A cross-case comparison imply weaker Sourcing Assignment process foundations in Case 3 and Case 5 than in Case 2 and Case 4. The fact that several individual process approaches exist in IKEA is potentially troublesome. Concerning is also that categories did not give much feedback to BAs on their approaches and the planned evaluation was never conducted. Consequently, learnings have not been recorded to improve the process. A trend was observed across cases indicating that one way of working companywide is desired, see *Figure 5.2*. In Case 6, it was stated that individual learnings should be consolidated into a collective approach before the yearly process cycle repeats. Exceptions were identified as a few CMs claimed the current situation is unproblematic. The BAs individual process approaches have seemingly not become so diverging and established yet that a negative impact is experienced by all widespread categories. Instead, other more serious underlying problems were detected in related processes and documents, e.g. differing data quality across BAs, see *Section 5.3*. The construct can strive for a collective process approach which is in line with both empirics and theory. An interviewee in Case 3 captured the essence by stating a construct should be *as common as possible but as unique as needed*.

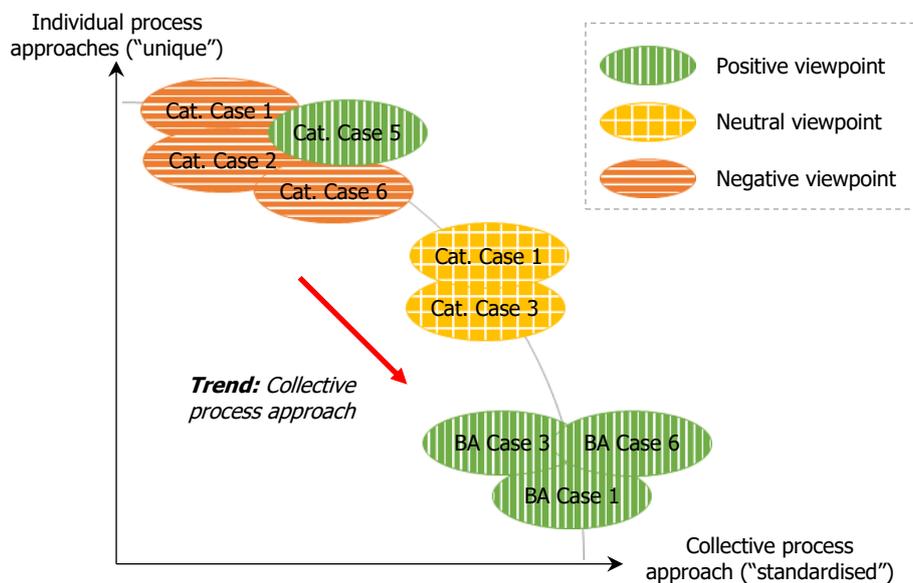


Figure 5.2: Several individual process-approaches or one collective process approach. Not mentioned in all cases.

5.1.2. Resources

Successfully deploying Sourcing Assignment in IKEA, with high standard and degree of process establishment, lay in involved resources. The competence profiles, updated in May 2017, for relevant roles in IKEA, e.g. SCM, SDM, SD, CM and CSS, reveal recognition of Sourcing Assignment as a work task. A SCM should “*establish the Sourcing Assignment with all categories connected to the HFBs for all products within the BA*” while the SDM is “*responsible for securing HFB needs input to category APLs and Sourcing Assignment, and category opportunities and limitations into HFB APLs for total BA*” (IKEA, 2017A). The SD is “*responsible to transfer HFB needs input to categories (e.g. BCP, PDP, SDP, Sourcing Assignment) on product/range level and secure category opportunities and limitations into HFB APLs*” (IKEA, 2017A). In categories, the CM should “*establish Sourcing*

¹³ O’Brien (2015) and Carlsson (2015) state that a common process is more beneficial, see *Table 3.2* and *Table 3.6*.

¹⁴ IKEA communicate that a common ONE IKEA BPL process should be followed companywide (IKEA, 2017A).

Assignment with relevant HFBs, secure planning and execution to fulfil the Sourcing Assignment, and pro-actively work together with HFBs to integrate opportunities and act on deviations” (IKEA, 2017A). The CSS is “responsible to secure optimal global sourcing set-up for running range within the framework of the Sourcing Assignment and in alignment with HFB, including assessing sourcing risk and scenario planning” (IKEA, 2017A). These titles are defined to work with Sourcing Assignment and the construct will build on that fact. Next, the resources in BAs/HFBs and categories are analysed.

Delegation to subordinates

Cross-case comparison outline a trend in BAs, namely that SCMs delegate Sourcing Assignment to SDMs which hand over to SDs, see Figure 5.3. SDs will start becoming actively involved in Case 2, Case 3 and Case 6 while they already are in Case 4 and Case 5. The development is not surprising as only one SCM and SDM exists per BA while numerous SDs are available. Similarly, CSSs overtake some responsibility from CMs in categories. As it is today, mostly SCMs, SDMs and CMs are actively involved with SDMs handling the work. However, SDs and CSSs will probably become more involved in the future based on existing and planned delegations. Such a trend is mostly positive as it facilitates the all-inclusive approach. The initiative to involve all SDs as resources in Case 3 is best practice in this regard and will be part of the construct.

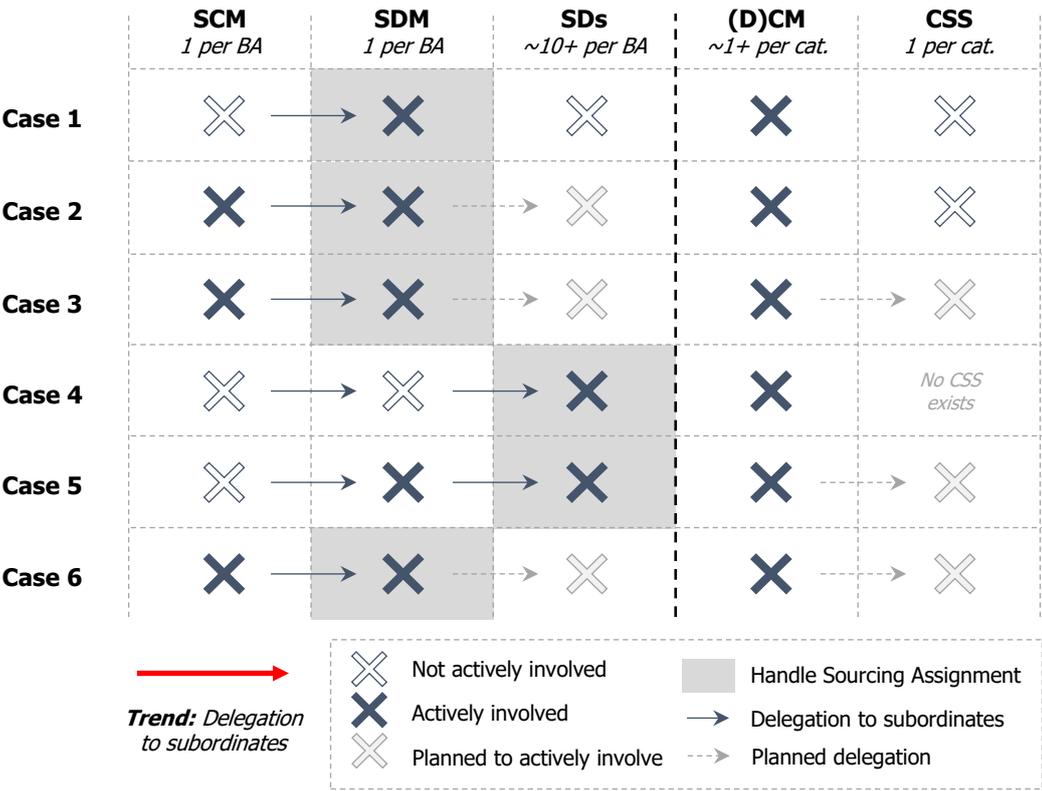


Figure 5.3: Involved resources in BAs/HFBs and categories.

Different time horizon mindsets

Logically it is difficult to discuss long-term topics in a Sourcing Assignment meeting if daily work is primarily in the short-term. Delegation to subordinate employees can potentially lead to a situation where Sourcing Assignment discussions focus operational instead of tactical time horizon, see Figure 5.4. SDs and CSSs are defined to execute projects on primarily operational level. If Sourcing Assignment relations are handled solely between SDs and CSSs a shift toward

short-term focus could be expected. On the other hand, it need to be realised that meeting in the cross-organisational interface is more valuable than completely disregarding the opportunity. Involving SDs and CSSs for low/mid priority Sourcing Assignments facilitates higher degree of process establishment while SCMs, SDMs and CMs can direct attention to the top priority level. A broader resource setup is included as an element in the construct. SCMs and CMs are expected to possess the “ability to combine working on a strategic level while acting on an operational and tactical level” (IKEA, 2017A). Involving more operationally oriented resources might require introducing a control mechanism that ensures inclusion of tactical time horizon for low/mid priority level.

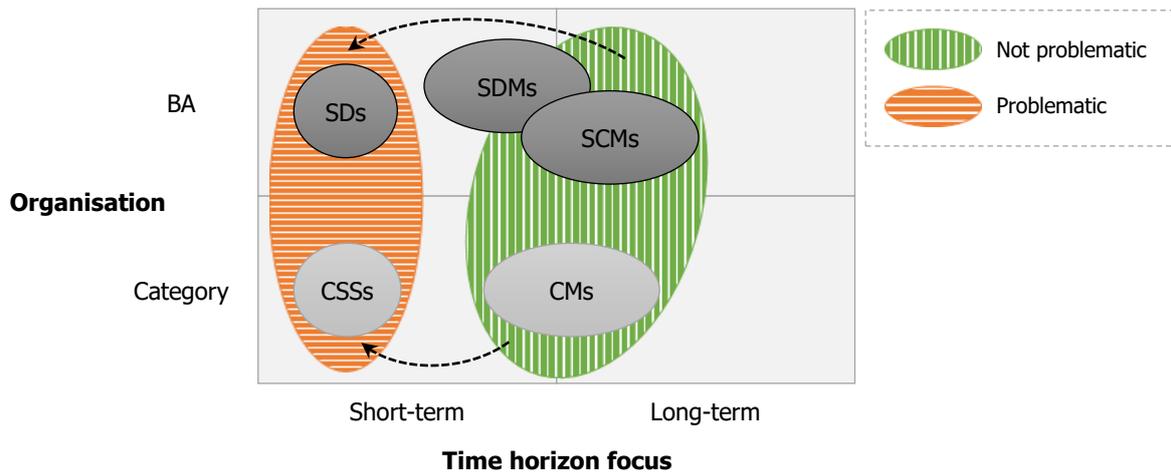


Figure 5.4: Delegation can potentially lead to shorter time horizon focus.

SCM and CM review point¹⁵

As mentioned, the construct will incorporate SDs and CSSs at the low/mid priority level and SCMs, SDMs and CMs at the top priority level. To maintain Sourcing Assignment as a tactically focused work tool for the low/mid priority level might require a review point. An idea is that SCMs and CMs take outmost *accountability* by reviewing and signing all Sourcing Assignments, including low/mid priority ones created by SDs and CSSs. This would act as a checkpoint where agreements can be adjusted to appropriate time horizon and detail level which SCMs and CMs can fully commit to. Thus, the originally intended idea in status quo, that SCMs and CMs should create all Sourcing Assignments, is then partly fulfilled as they are at least double-checked.

A review point might be needed for another reason as well. The DCM in Case 4 stated that SDs generally do not take same degree of accountability within Sourcing Assignment agreements as a SCM or SDM would do. It is natural with more commitment from managers than subordinates' due to the decision-making authority and a potential pitfall could arise for low/mid priority level. A review point could also serve a purpose to prevent weak agreements from shaping and is enforced as an important part of the construct. In combination with giving full *responsibility* to SDs and CSSs discussions are likely to become less restricted while the process is enhanced.

Resources versus competence

SCMs, SDMs, SDs, CMs and CSSs should all be involved in Sourcing Assignment as defined in their work roles. As BAs and categories within IKEA have varying functional structures and

¹⁵ O'Brien (2015) mentions stage reviews acting as gateways and Ljungberg and Larsson (2012) process requirements.

competence level on employees, other work roles might be applicable to involve than specific titles. For instance, a new setup is on trial in Case 2 which give the SM and DSM natural participation in Sourcing Assignment while their competences are broadened toward a SCM's. The process flexibility mentioned earlier could include optionality regarding which resources to involve. Recommended competences and a cross-functional approach in the process is pointed out in the construct instead of exact work roles, besides SCMs, SDMs, SDs, CMs, and CSSs¹⁶.

In some cases, categories state that desired competences are absent from meetings, e.g. managers in quality, range, sustainability and logistics, and roles with customer insight from retail oriented functions. This indicate that either meeting attendees lack knowledge or that wrong employees are invited, which inhibit cross-functional synergy effects. Other competences, besides supply chain and sourcing, should ideally be present in meetings for both the low/mid and top priority relations. However, only extending the meeting attendee list is probably not the most efficient alternative. As depicted in Figure 5.5, there is a dilemma whether to increase the number of meeting attendees to broaden competence (top right box) versus limiting the number resulting in narrow competence (bottom left box). Ideally all cases should move to the top left box, i.e. few meeting attendees with broad knowledge, and a gap is currently identified. An element of the construct is to encourage broad competence among few meeting attendees. Guidelines are given but how it is solved in practice is up to each Sourcing Assignment relation, i.e. whether additional resources are invited or missing competence is gained as preparation prior to meeting. Competences are *recommended* for the low/mid priority level but *required* for the top priority level.

Senior managers, e.g. Business Leaders which drive the HFB BPL process, seldom take part in the Sourcing Assignment process. A CM in Case 6 desired that senior managers should be present in meetings to make Sourcing Assignments more powerful within IKEA. This request is naturally only viable for the top priority level. The construct advises that senior managers, particularly Business Leaders, actively take part in the most important Sourcing Assignment processes¹⁷.

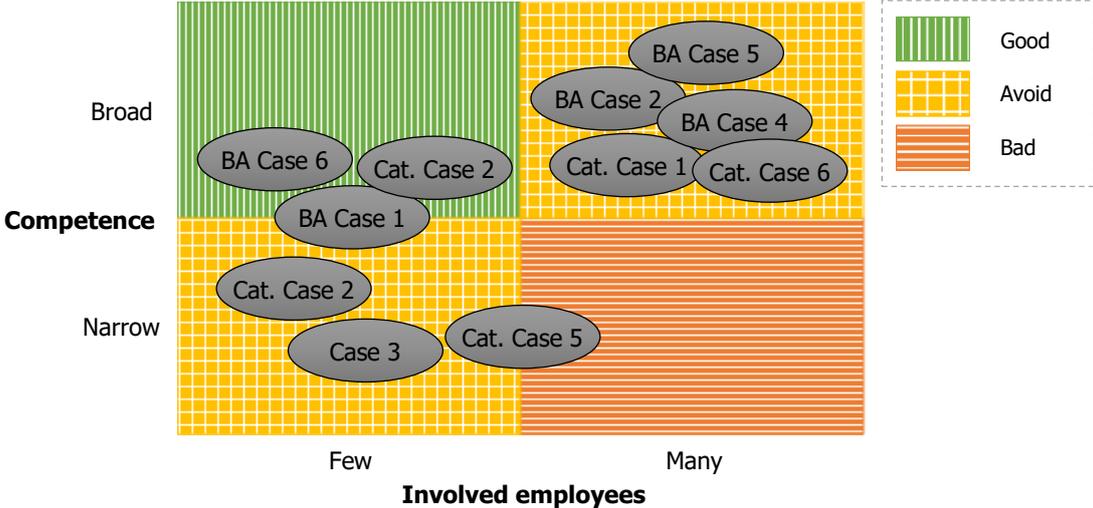


Figure 5.5: Competence versus number of involved employees.

¹⁶ O'Brien (2015) mentions the importance of cross-functional workshops and cross-functional teams in category management, see Figure 3.8 and Figure 3.9.

¹⁷ O'Brien (2015) states that reinforcement of process rigour expectations by the senior team is required to realise the category management benefit of common language and way of working.

5.1.3. Activities

The Sourcing Assignment process comprises of activities, most notably the actual meetings. During interviews with long-time employees it was expressed that tacit knowledge, i.e. what is kept in mind, is often considered sufficient preparation. Generally, a relatively light-hearted attitude toward Sourcing Assignment was observed by the author. It is viewed as a formalisation of the daily work and seldom previously unheard discussions are briefed in meetings. What is formally agreed on has already been informally treated in related processes. Next, preparation, time horizon and contribution related to meetings are analysed.

Preparation and prioritisation¹⁸

Interviewees admittedly often come to Sourcing Assignment meetings unprepared, see *Figure 5.6*. It is not surprising since status quo do not request any preparation. Only the Excel checklist of recommended topics to cover was provided. Also, interviewees mentioned that Sourcing Assignment is currently low in priority. Other more established processes running in parallel, e.g. the BPL and APL processes, require more attention. The information sharing approach in Case 5 was characterised by virtually no preparation from the BA resulting in low formal process establishment. In Case 2, the BA sent pre-read packages, including the entire BPL, APL and LTP, to categories. The author participated in a Sourcing Assignment meeting arranged by the BA in Case 2. None of the category representatives had read through the pre-reads, which were supposed to underlie discussions, and an additional meeting was suggested. A CM in Case 1 meant that preparation is not necessary as everything brought into the Sourcing Assignment meeting is derived from related meetings. Other categories expressed similar reasoning. Good preparations seem to be an exception rather than rule in the studied cases, with BAs being slightly more prepared than categories¹⁹.

Sending pre-reads as in Case 2 are useless if they are not read by the receiver. Naturally preparation take valuable time which interviewees rather spend elsewhere. The key is to *consciously* prepare for Sourcing Assignment *gradually* throughout the IKEA year cycle to reduce the burden. Preparation is an important element to include and a preparatory checklist is therefore part of the construct.

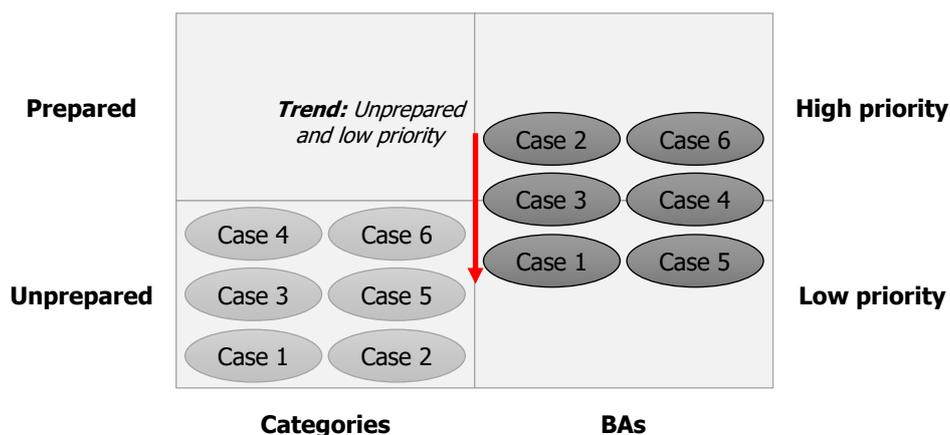


Figure 5.6: Sourcing Assignment preparation and priority in categories and BAs.

¹⁸ The preparatory category planning process is highlighted by Capgemini (2013), see Section 3.1.3 and Figure 3.4.

¹⁹ See Section 5.1.3 and heading *Contribution to meetings* for an elaboration.

Time horizon in meetings

The identified lack of preparation for Sourcing Assignment could have a drawback. Without explicitly outlining long-term discussion topics as a preparatory step, meetings potentially risk dealing with attendees' momentary concerns. While the author participated in a Sourcing Assignment meeting the tendency was that attendees struggled to maintain long-term discussions. The meeting facilitator from the BA in Case 2 frequently had to remind others to think in the tactical time horizon instead of operationally. Comparing across cases show a general trend toward treating short-term time horizon in Sourcing Assignment, see *Figure 5.7*. Most cases include the tactical level even though interviewees stated it is difficult due to IKEA's short-term way of working²⁰. Involving operational employees is likely to strengthen the identified trend further which suggest a need for preventive measures in addition to a SCM and CM review point. Long-term discussion topics could be prepared prior to Sourcing Assignment meetings, to counteract getting stuck in operational matters once in the meeting room²¹.

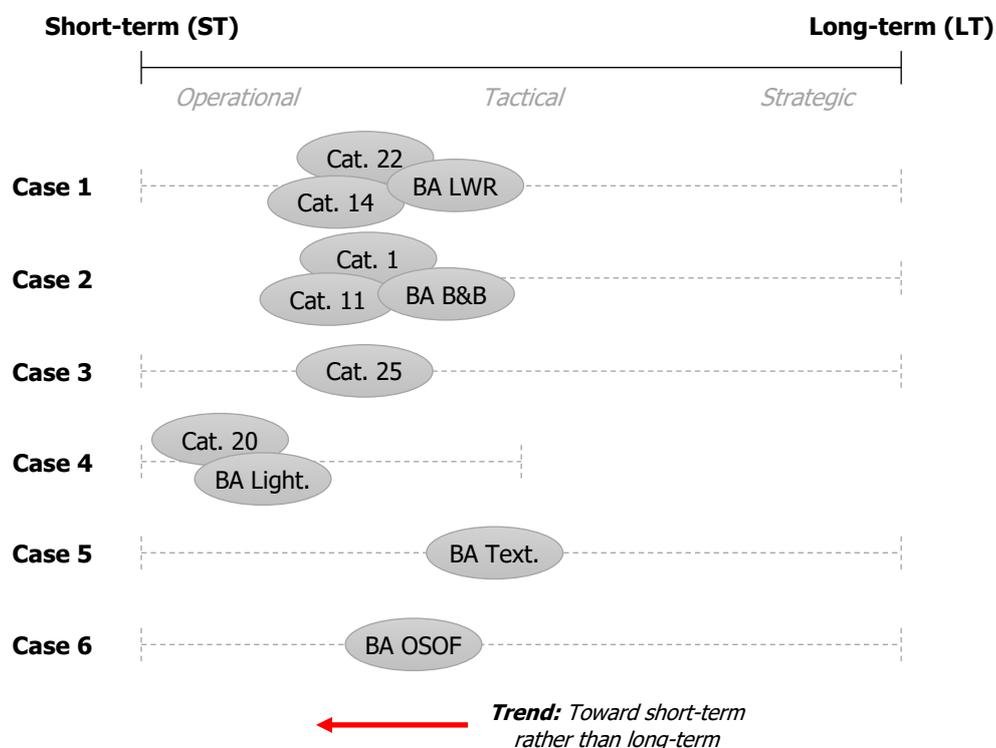


Figure 5.7: Sourcing Assignment time horizon. Incomplete data in some cases.

Contribution to meetings

In status quo, it was defined that BAs should take the lead and approach categories. Sourcing Assignment was portrayed as a document handed over to categories and categories' expected contribution was not clearly specified originally. BAs have created document templates, individual process approaches and invited categories to meetings. Categories reactively responded to BAs approaches once Sourcing Assignment was implemented. Because BAs were defined to drive Sourcing Assignment, it is not surprising that interviewees across cases perceive a similar

²⁰ See Section 5.3 for an analysis on related processes and documents possibly explaining the short-term trend.

²¹ Compare Moses and Åhlström (2008) which identified *usage of ad-hoc decisions* based on tacit knowledge and previous experiences as a problem in sourcing decision processes, see Section 3.1.2.

current situation, see *Figure 5.8*. Some BA representatives stated that categories' contribution often was very limited and that the responsibility for Sourcing Assignment is left too much within BAs. Interestingly most cases captured that a more balanced contribution between BAs and categories is desired. For example, the initiative in Case 5 to give half the meeting time to categories and encourage more balanced documents is a step in the right direction. On the contrary, the expectations on each other, and on Sourcing Assignment itself, were not made clear in Case 3 which might explain the perception of the BA being heavily overrepresented.

A clarification was made to status quo in January 2017 stating that SCMs should invite categories to spring meetings and CMs the BAs in autumn. The fact that this was not made clear earlier can explain why very few follow-up meetings were arranged by categories in 2016²². Some interviewed CMs were unaware of the recent update unless BAs had reminded that they were expecting a Sourcing Assignment meeting invitation for autumn 2017. If a more well-balanced contribution does not occur, Sourcing Assignment could remain a meeting held only once a year with BAs driving majority of the agenda.

An element to include in the construct is to strive for more equal contribution in the Sourcing Assignment process. The work method from status quo might need to be redefined and communicated again as a joint process to all involved stakeholders from BAs and categories. The purpose and pre-conditions must be very clear to sustain strong Sourcing Assignment relations. Therefore, expectations alignment is part of the construct to prevent misunderstandings once the process is up and running.

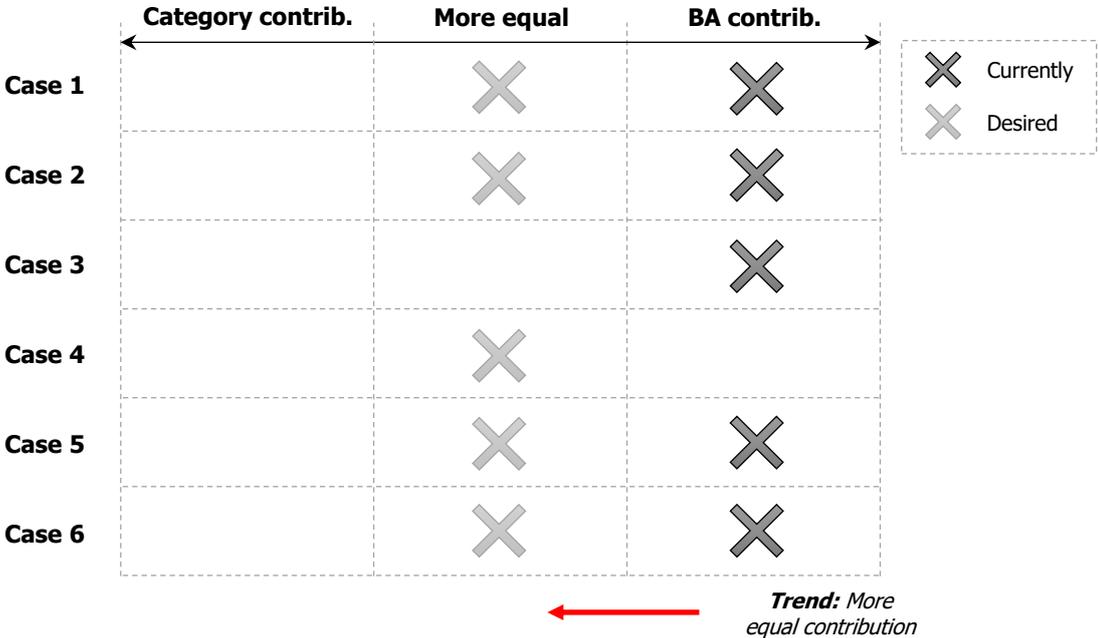


Figure 5.8: Current and desired degree of contribution to Sourcing Assignment. Incomplete data in some cases.

Formal versus informal meetings

As part of status quo, two official Sourcing Assignment meetings were positioned in the year cycle valid for all relations left after applying the no-go criterion. Some interviews point out that

²² See Section 5.1.4 for an elaboration on follow-up meetings.

“Sourcing Assignment meetings” take place informally all the time even though they are not labelled as such meetings. This naturally occurs for the most important relations that are part of the top priority level. In Case 1, Case 4 and Case 6 it was stated that such informal meetings are sufficient and would happen without Sourcing Assignment due to the well-functioning co-operation. With a strong daily dialogue already existing for certain relations, an incentive to create thorough Sourcing Assignments vanishes and in practice content are discussed separately from formal meetings. A BA representative in Case 4 meant that ideally Sourcing Assignments with categories should not be needed at all. The BA in Case 4 work toward that vision by promoting and safeguarding a corporate culture characterised by full transparency in the cross-organisational interface. Other parts of IKEA do not have the same pre-conditions as Case 4 to create similar strong informal relations with all applicable categories. To have formal Sourcing Assignment meetings facilitates a long-lasting process with discussions not fading away by time.

Sourcing Assignment should not be viewed as strictly two formal meetings and one document, as defined today, but also as a tool which can be continuously associated to in the informal cross-functional communication across BAs and categories. The construct could highlight the importance to meet by making formal Sourcing Assignment meetings mandatory for all applicable categories. Differentiating meeting frequencies between the two process levels is part of the construct with minimum once a year for the low/mid priority and minimum twice a year for top priority²³.

5.1.4. Process management²⁴

Activities, in the form of Sourcing Assignment meetings, are an integrated part of IKEA’s rolling year cycle consisting of numerous processes in connection to BAs and categories. Follow-ups of formal Sourcing Assignment agreements are required within the year cycle to check whether agreed actions are executed accordingly and, if necessary, outline a new course of action. A governance structure, among others in the form BCs and CCs, oversees the BPL and APL processes in IKEA. Sourcing Assignment is related, either directly or indirectly, to these processes and therefore consequently to IKEA’s existing governance structure. Next, the cross-case analysis of the year cycle, follow-ups and governance structure is conducted.

Year cycle integration

A pattern is revealed when contrasting the empirical case data, namely that interviewees perceive Sourcing Assignment to not have a clear year cycle on its own and that better integration into IKEA’s official year cycle is desired, see *Figure 5.9*. Originally status quo proposed time periods to create draft documents, namely between August and October, and finalised documents, namely between January and March. Also, Sourcing Assignment meetings were suggested in week 40 and week 8. The problem was that no available time slots existed in IKEA’s official year cycle and time was not allocated either, which is desired in Case 1, Case 2 and Case 3. Sourcing Assignment was added on top of the business calendars instead of being integrated. Involved resources were expected to internally coordinate Sourcing Assignment meetings on suitable times. Such an approach requires that meetings are planned very well in advance to secure multiple stakeholders.

²³ According to O’Brien (2015), different process routes in the 5i category management framework can consist of different process steps, which is translated into one or two formal meetings.

²⁴ Ljungberg and Larsson (2012, p.166) define process management as “activities introduced to maintain daily and continuous steering, use and development of a process”.

In Case 1 and Case 2 it was stated that even though planning began early, Sourcing Assignment meetings had to be arranged as much as half a year later. Expecting all involved resources for all Sourcing Assignment relations to solve the issue on behalf of existing obligations is unthinkable. Also, it has mostly been SCMs and SDMs that have organised the meetings and thus non-value adding time are spent on practicalities by key resources. Thus, a proposed year cycle clarification and integration is an included element²⁵.

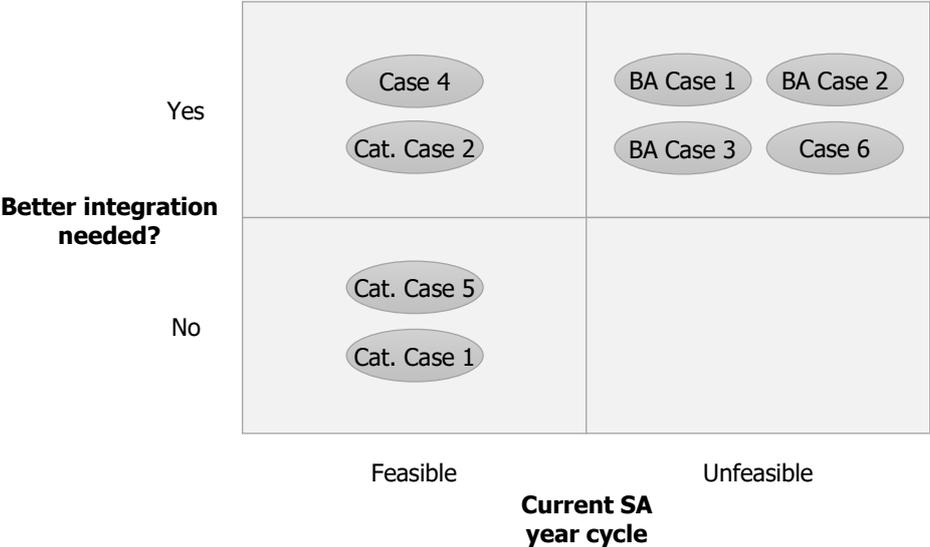


Figure 5.9: Sourcing Assignment year cycle integration into IKEA’s official year cycle.

Lack of space in IKEA’s official year cycle is especially problematic for widespread BAs working with numerous categories, e.g. Case 1, Case 2 and Case 3. Meeting all applicable categories twice a year would require 30 to 40 meetings per year. As seen in Table 5.4, the suggested yearly meeting frequencies for the two process levels would reduce the number of meetings in majority of cases compared to status quo. Adding resources in the form of SDs to handle the fewer number of meetings would probably further increase chances of better year cycle integration.

Table 5.4: Minimum # of yearly SA meetings for low/mid and top priority process levels comparing the construct to status quo.

	Top priority*		Low/Mid priority**		Tot. min. # meet.	Status quo # meet.
	# SA rel.	Min. # meet.	# SA rel.	Min. # meet.		
Case 1	5	10	11	11	21	32
Case 2	4	8	14	14	22	36
Case 3	7	14	10	10	24	34
Case 4	2	4	0	0	4	4
Case 5	3	6	2	2	8	10
Case 6	7	14	1	1	15	16
* Minimum two meetings, ** Minimum one meeting				Total:	94	132

Without a better integration of Sourcing Assignment into the official IKEA year cycle it would virtually be an impossibility to arrange several additional meetings. A welcomed best practice

²⁵ Compare Moses and Åhlström (2008) which identified an unstructured process lacking connection to parallel processes as a problem in sourcing decision processes, i.e. *process-design related problems*, see Section 3.1.2.

initiative was mentioned in Case 2, namely that BA representatives have freed up time for Sourcing Assignment in autumn. CMs can book themselves on a preferred time slot which forces a better year cycle integration to happen. It cannot be expected that all BAs will work as proactively as the BA in Case 2 in this regard. The status quo update that BAs take responsibility for spring while categories in autumn remains an element in the construct. It could nevertheless be reinforced that a mutual responsibility must be taken to ensure meetings take place.

Year cycle timing²⁶

The Sourcing Assignment process connects BAs and categories and must therefore fit into the year cycle at a time suitable for both parties. Comparing the timing of Sourcing Assignment meetings for spring 2016 and 2017 disclose a postponement trend, see *Figure 5.10*. Meetings occur around May, i.e. much later than week 8 which was originally intended. For example, Case 4 arranged meetings in end of February last year but has now moved meetings after the HFB APL process finalise. A similar timing is observed in all cases, but there seems to be a logical explanation to why the postponement occurs. BAs state that categories are invited for Sourcing Assignment after the HFB APL process because HFB BPLs are then specified into more detailed APLs. Consequently, more substance can be brought into discussions with categories. Also, during the HFB APL process the BAs are very occupied with limited time to set aside for Sourcing Assignment. The observed year cycle timing for Sourcing Assignment spring meetings seem natural and will be an element in the construct, i.e. the proposition of week 8 is revised²⁷.

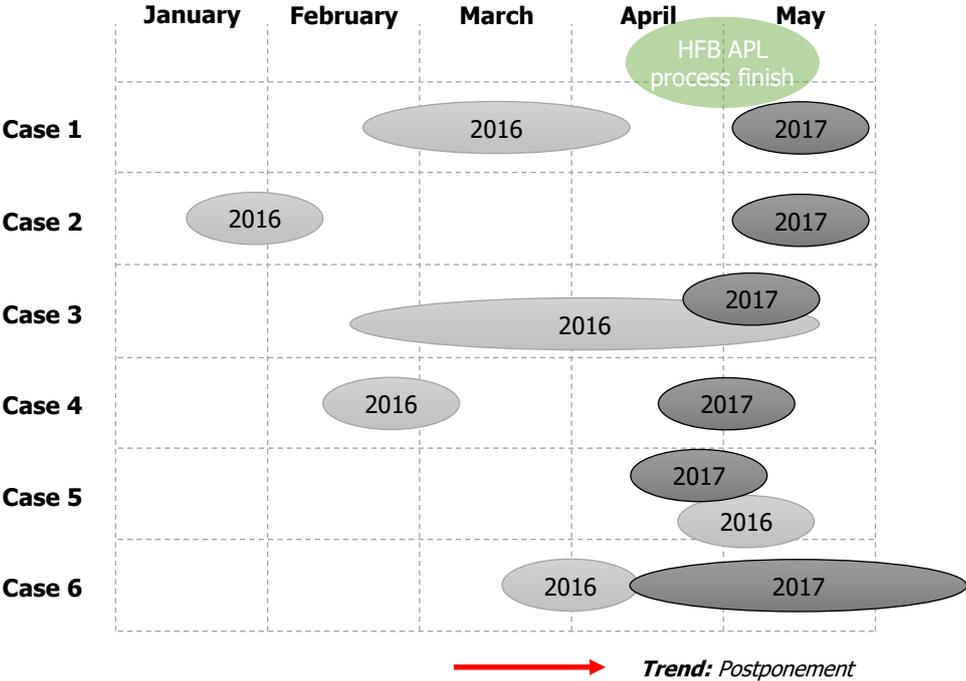


Figure 5.10: Sourcing Assignment meeting timing comparing spring 2016 and 2017.

In the HFB BPL guidelines for FY17, it is stated that Sourcing Assignment occurs between January and May (IKEA, 2017A). Meetings in FY17 are arranged as late as possible in practice.

²⁶ Focus is here on analysing the spring session timing since very few follow-up meetings took place in autumn 2016.
²⁷ Compare Moses and Åhlström (2008) which identified *timing of functional needs*, i.e. that different needs exist at different points in time, as a problem in sourcing decision processes, see Section 3.1.2.

Communicating such broad time spans imply that BAs can invite categories for Sourcing Assignment meetings anytime between January and May. This also means that the year cycle timing can shift over the years which makes year cycle integration challenging. Uncertainty when Sourcing Assignment take place have for instance led a CM in Case 1 to call for meetings with BAs prior to the HFB APL start to secure a discussion. A possible element to include in the construct is to dedicate fixed Sourcing Assignment dates in IKEA’s official year cycle. Then, prioritisation is likely increased leading to better process establishment while uncertainty is eliminated. The exact timing of meetings is not crucial per se since agreed actions treat long-term and a certain degree of flexibility could be acceptable. However, lack of proper preparations and unavailable resources will remain an issue without time being freed up in the year cycle. A general recommendation to IKEA would be that top management start viewing Sourcing Assignment as an official process which needs a clarified year cycle timing²⁸.

Follow-up meetings

In 2016, very few formal Sourcing Assignment follow-up meetings were generally arranged across cases, see *Table 5.5*. As a positive exception, the BA in Case 6 managed to meet with all applicable categories for formal follow-ups in autumn 2016. In Case 3, 17 Sourcing Assignments were established but not a single follow-up was conducted. Case 5 did not arrange any follow-ups either. In Case 1, Case 2 and Case 4, follow-ups occurred sporadically. Interestingly, many interviews claimed that the most important Sourcing Assignments are continuously followed-up informally throughout the year cycle, i.e. separate from official meetings. An interviewee in Case 1 meant that Sourcing Assignment simply is followed-up by checking whether an action is taken or not in succeeding meetings. This imply relying on agreements being actionably formulated with an impeding risk of actions not being taken otherwise. A formalised approach to follow-ups is incorporated in the construct, especially since majority of cases raised concerns.

Table 5.5: Formal versus informal Sourcing Assignment follow-up. Degree of follow-up is marked grey.

	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Average
Formal follow-up*							
Informal follow-up**							
Follow-up concerns***	-	-	-	-	-	0	Sum: -----
* Follow-up in an official Sourcing Assignment meeting ** Follow-up in the daily dialogue *** Interviewee comments translated to concerns (-) and no concerns (0)							

Sourcing Assignment might be one of few opportunities when less influential categories in BAs get the possibility to meet individually with BAs. As mentioned earlier, distinguishing meeting frequencies between low/mid and top priority levels is an option, see *Table 5.4*. Top priority relations significantly impact IKEA’s totality and could therefore have stricter requirements on follow-up frequency as well. For the low/mid priority level with lower impact it might be enough to perform follow-ups once a year at the mandatory meetings, but if resources and time exist more

²⁸ O’Brien (2015) mentions the importance of executive level buy-in and sponsorship in category management.

frequent interaction is encouraged also at this level. The importance of follow-ups is made clear in the construct to prevent Sourcing Assignment from being put aside²⁹.

The limited number of follow-ups might be explained by status quo defining Sourcing Assignment to focus on tactical time horizon, i.e. in 18-36 months. Obviously, it does not make much sense to follow-up long-term agreements every 6 months. A few interviews meant that the operational level, i.e. 0-18 months, should be excluded from Sourcing Assignment as it risks becoming the only focus and is partly handled in other processes like the BCP. Others reason it could be included briefly, e.g. must-solve issues of firefighting character or ongoing joint projects, but not as the primary objective with meetings. Simultaneously Sourcing Assignment is desired to become more living which leads to a dilemma³⁰. Without inclusion of the operational agenda, there must be another reason to meet twice a year at the top priority level in the cross-organisational Sourcing Assignment interface. Today, all BAs collect SWOT input from categories into the HFB BPL process in autumn. Around the same time BAs hand over their needs to categories' BPL process, i.e. the PDP. Thus, an exchange of BPL input, which primarily concern long-term, already occurs between BAs and categories. The long-term BPL input sharing is currently not part of Sourcing Assignment. Since the shared BPL input treat similar time horizon as Sourcing Assignment an idea could be to integrate the two. Then, it would become natural to follow-up, and if necessary update, previous Sourcing Assignment agreements as well. Therefore, integration of BPL input sharing into autumn Sourcing Assignment meetings is suggested as an element in the construct.

Governance structure

Today, no internal third-party exists that reviews Sourcing Assignments in IKEA. Instead, it is solely up to involved resources, most notably the SCM and CM, to determine the quality of the process and document. No process owner or process leader is appointed to the Sourcing Assignment process within IKEA. The same is valid for the PDP, SDP and BCP processes. In fact, only the strategic core processes depicted in *Figure 4.2* have such roles assigned which the mentioned sub-processes are part of. Therefore, a process owner/leader exist *indirectly*. However, IKEA's existing governance structure, including BCs, CCs and CEMs, do not *directly* capture Sourcing Assignment. This could potentially cause issues as individuals have different perceptions of what can be considered as a proper process structure and quality standard. It must be respected that individuals have own preferences how to optimally work with Sourcing Assignment³¹. Majority of cases desire to maintain Sourcing Assignment without internal reviews but some are open for a stricter governance, see *Figure 5.11*. The identified individual process approaches could diverge over time without minimum requirements putting pressure on how the Sourcing Assignment process should be carried out within IKEA. It could cause difficulties for widespread categories to see a holistic combined picture from several Sourcing Assignments³². To facilitate one way of working, an internal third-party reviewer is an element in the construct even though majority of cases do not want others to examine Sourcing Assignment.

²⁹ Capgemini (2013) highlights periodical reviews as a fundamental part of category management.

³⁰ See *Section 5.2.3* for more on the dilemma to create living Sourcing Assignments if excluding operational level.

³¹ Ljungberg and Larsson (2012) reason that *individual processes* can reach similar outcome, see *Section 3.2.5*.

³² Compare Moses and Åhlström (2008) which mean that incomparable information can lead to ad hoc decisions causing problems in sourcing decision processes, see *Section 3.1.2*.

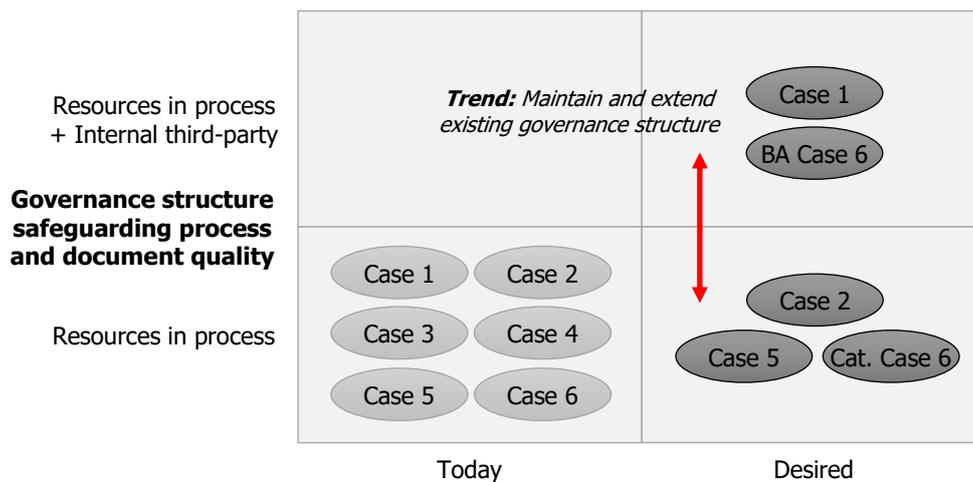


Figure 5.11: Current and desired Sourcing Assignment governance structure. Desire was not mentioned in all cases.

Three possible Sourcing Assignment governance structure alternatives could for example be distinguished. First, resources in the process could be mandated full responsibility and accountability to secure adequate Sourcing Assignments through competence. The SCM and CM review point suggested in Section 5.1.2 would be categorised under this option. Second, IKEA’s existing governance structure, in the form of councils where top management are present, could be utilised also for Sourcing Assignment when relevant³³. Third, an internal third-party acting as a process owner/leader and a support/control unit could be set up with a companywide helicopter perspective on the Sourcing Assignment process³⁴. Concerning was that interviews in Case 1 and Case 2 stated that very limited feedback had been received once requested from the Sourcing Assignment concept creators. The internal third-party could for instance periodically evaluate the Sourcing Assignment processes and documents aiming for continuous improvement while monitoring the agreed directions in the tactical time horizon³⁵. Otherwise learnings, best practices and structural capital risk being unidentified across the organisation. Therefore, the construct will build on all three possibilities to ensure establishment of high quality processes.

5.2. Sourcing Assignment document

In this sub-section, the cases are analysed against each other to point out problems with the current Sourcing Assignment documents and identify measures to overcome them. The parts of the research model that are in focus in this section are coloured dark grey in Figure 5.12. The cross-case analysis of the documents is conducted under the below listed main headings with supportive sub-headings occurring throughout the text.

- Document templates
- Agreed actions
- Document time horizon
- Document role

³³ van Weele (2014) means that *category sourcing plans* need to be presented frequently to the board of directors and senior management, see Section 3.3.3.

³⁴ O’Brien’s (2015) *5P governance framework* include a *programme office* as support to the steering group, see Figure 3.16.

³⁵ Lessons learnt reviews is part of the improvement step in the *5i category management process*, see Figure 3.8.

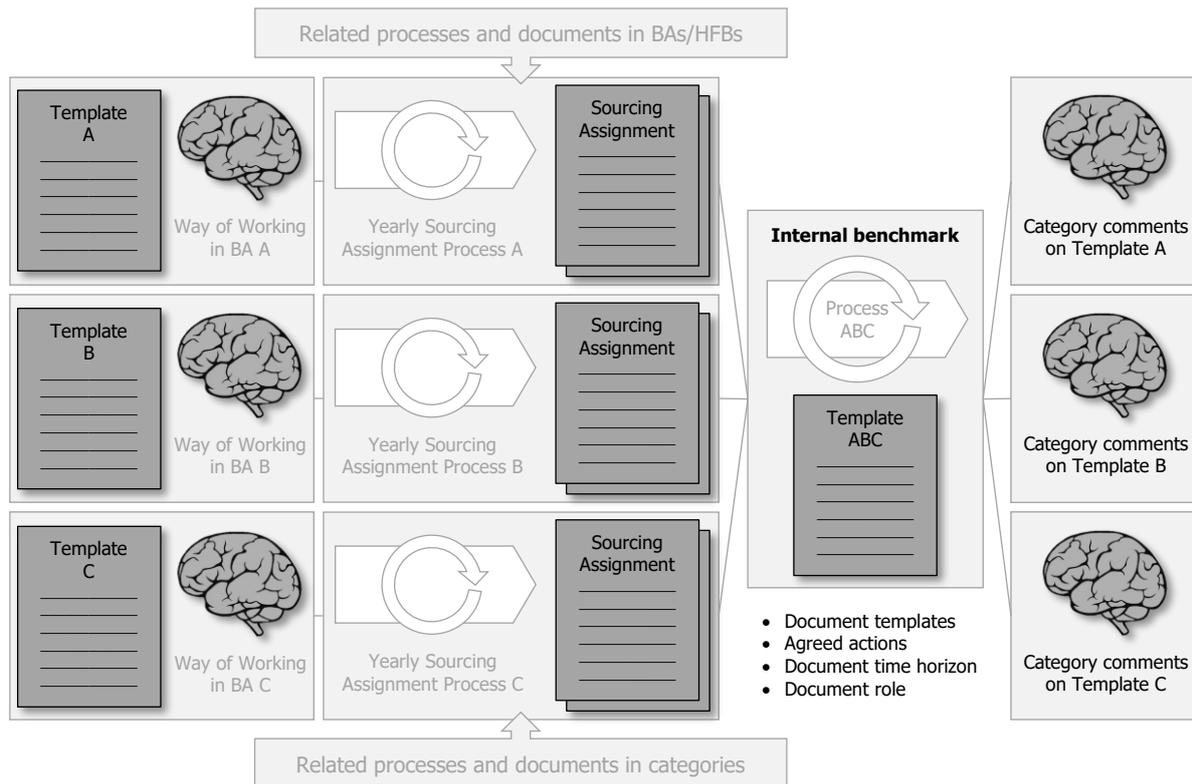


Figure 5.12: Focused parts from the research model for cross-case analysing the Sourcing Assignment document.

5.2.1. Document templates

Comparing headings and sub-headings in the case templates against status quo and each other show that both similarities and differences exist, see Table 5.7. Case 1, Case 4, Case 5 and Case 6 are almost identical to status quo with minor variations. For example, the HFB BPL is put in appendix instead of the main text in Case 4 and business calendar is added as a heading in Case 1 and Case 6 while appendix is removed. Case 2 and Case 3 stand out from the rest. In Case 2, no background information is lifted into the template but instead all related documents are referred to in appendix. Consequently, documents in Case 2 only include the agreed actions between the BA and categories. In Case 3, headings referring to different time horizons, namely short-term, mid-term and long-term, are used instead of the ones suggested in the status quo Word template. However, a closer look reveals that headings in the Case 3 template have been copied from the Excel checklist in status quo to create the structure. To conclude, majority of document templates are alike status quo with the own version in Case 2 being an exception.

The extensive Sourcing Assignment pilot document from Case 4 was the only template existing as inspiration when the process was launched. This explains why few existing document templates deviate from status quo and have become lengthy. Interestingly, majority of cases had a negative viewpoint on status quo, for instance by stating that the originally provided template was too extensive, while a simplification was desired, see Table 5.6.

Table 5.6: View on status quo and a simplification. Plus (+) means positive, zero (0) not mentioned and minus (-) negative.

Interviewees...	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Sum
...attitude toward status quo	-	-	-	-	0	-	-----
...attitude toward simpler docs.	+	+	+	+	+	+	++++++

Table 5.7: Comparison of background information and agreed actions in Sourcing Assignment document templates.

Background information in document templates						
Pilot (status quo)	Case 1 (BA LWR)	Case 2 (BA B&B)	Case 3 (BA K&D)	Case 4 (BA Lighting)	Case 5 (BA Textiles)	Case 6 (BA OSOF)
Introduction	Introduction		Introduction	Introduction	Introduction	Introduction
• Purpose	• Purpose		• Purpose	• Purpose	• Purpose	• Purpose
• Scope	• Scope		• Scope	• Scope	• Scope	• Scope
• General principles	• General principles			• General principles		• General principles
• Definitions and processes	• Definitions and processes			• Way of working + Year cycle		
• Document storage location	• Document storage location		• Document storage location		• Document storage location	
• Routines regarding revision and updates	• Routines regarding revision and updates				• Routines regarding revision and updates	
(Category) current performance	HFB current performance		Short-term update	Goals	HFB current performance	HFB current performance
• General update	• General update		• (KPI) performance update		• General update / Scorecard	• General update
• Purchase price development	• Purchase price development		• General update	• Purchase price development	• Purchase price development	• Purchase price development
• Growth	• Growth		• (Costs)		• Growth	• Growth
• Profitability	• Profitability		• Growth	• Profitability	• Profitability	• Profitability
• Quality	• Quality		• Profitability	• Quality	• Quality	• Quality
• Availability	• Availability		• Quality	• Availability	• Availability	• Availability
• Logistics	• Logistics		• Availability	• Logistics	• Logistics	• Logistics
• Sustainability	• Sustainability		• Sustainability	• Sustainability	• Sustainability	• Sustainability
HFB business plan	HFB business plan		• Running projects in category connected to HFB, M&I and DSS		HFB business plan	HFB business plan
			• Agreements and projects with New Business teams / Free Range		• Key business issues	• Wished position
• Long-term objectives	• Long-term objectives		• Status of prod. dev. suppliers			• Objectives
• Change drivers	• Change drivers		• Update on NEWS, MOVES, and IMPROVES		• Change drivers	• Change drivers
• Growth drivers	• Growth drivers		• Suppliers where IKEA is not living up to the promises		• Growth drivers	• Growth drivers
			Mid- and long-term objectives			
Growth grid (+ strategic insights from 3-year Range Development)			• HFB business plan update		Growth grid / Range development (+ main conclusions)	
	Business calendar		• Growth plan (LTP)			Business calendar
			• Range development (NEWS, UTG)			Goal sheet
Growth plan	Growth plan / LTDP		• Range development with Free Range	Growth plan (+ current top 5 families per product area)	Growth plan (+ status and actions)	LTDP
Appendix		Appendix	• Engineer and quality agenda	Appendix	Appendix	
• Category KPI map		• LTP, BPL and APL	• Shifts in technology	• E.g. commercial calendar	• Growth plan	
• Goal sheet		• Range Plan	• Material and technique development and innovations	• Project and launch plan per PA	• Capacity vs need	
• Important links (e.g. BPL)		• CC presentation	• Capacity commitment update	• HFB BPL	• Category KPI map	
		• Goal sheet	• Flexibility in capacities	• Category BPL	• Goal sheet	
		• Performance update	• Update on DSS		• Business overview in sales and quantity	
		• Business calendar	• IKEA Industry assignments / projects		• Preliminary APL	
		• Capacity commitments	• IKEA Components asgmt. / projects		• Commercial priorities	
			• Investments needed		• Important links	
			• Material strategy			
			• ÖVERTAG update			
			• Capacity/need development from mid- and long-term perspective			

Agreed actions in document templates						
Pilot Word template	Case 1 (BA LWR)	Case 2 (BA B&B)	Case 3 (BA K&D)	Case 4 (BA Lighting)	Case 5 (BA Textiles)	Case 6 (BA OSOF)
Main conclusions	Main conclusions	Actionable topics – main conclusions/action	Main conclusions and actions	Key activities	Main conclusions	Actions
• Capacity	• Way of working	• BPL	• Price development (costs)	• Category X specifics	• Capacity	• Capacity and suppliers
• Supplier base	▪ Shared solutions	▪ Growth plan	• Availability (capacity)	• IKEA Components	• Flexibility	• Total cost
• Material and technique development	▪ Matrix / Category allocation	▪ Sourcing/category plan	• Logistics	• HFBs and product areas	• Capacity commitments	• Quality
• Identify and select product improvement potentials	▪ APL and resources	▪ Balance sales and supply	• Quality (product improvements)	• Purchasing	• Supplier base	• Sustainability
	▪ LTDP	▪ Shared solutions	• Sustainability	▪ Shared solutions	• Material and technique development	• Others
	▪ Sustainability	▪ Quality	• Supplier base	▪ Optimal sourcing	• Product improvement potentials	▪ Price / Volume
	• Capacity	▪ Inventory management	• Material and technique development	▪ Geographical regions	• Sustainability	▪ IWAY risks
	• Supplier landscape	▪ Cost reductions		▪ Development suppliers		▪ Follow-up on commitments
	• Total cost	• APL		▪ Availability		• Input from the category
	• Quality			▪ Critical materials		Follow-up / Autumn run / Additional meeting notes
	• Standardisation			▪ Product/production improvements		
	• Sustainability			• Supply		
	• Innovation			• EQR (quality)		

Table 5.8: Length and actionability of Sourcing Assignment documents.

Part of:	SA document between:		Number of pages*	Agreed actions number of pages**		Actionability of agreed actions	
	BA	Category		Responsible assigned	Time plan outlined		
Case 1	LWR	Category 9	19***	6	32%	Frequently	No
		Category 12				Frequently	Occasionally
		Category 14				No	Occasionally
Case 2	B&B	Category 1	5	3	60%	No	No
		Category 2	5	2.5	50%	No	No
		Category 7	5	2	40%	No	No
		Category 11	4	2	50%	No	No
		Category 22	4	2	50%	No	No
Case 3	K&D	Category 1	17	1	6%	No	No
		Category 25	15	1	7%	Occasionally	Occasionally
		Category 27	14	0.5	4%	No	No
Case 4	Lighting	Category 18	15	8	53%	Constantly	Constantly
		Category 20****	25	9	36%	Constantly	Constantly
Case 5	Textiles	Category 16	23	1	4%	No	Occasionally
Case 6	OSOF	Category 3	17	2.5	15%	Frequently	Occasionally
		Category 5	15	1.5	10%	Frequently	No
		Category 7	18	2	11%	No	No
		Category 8	13	3	23%	Constantly	No
		Category 10	12	2.5	21%	Frequently	Occasionally
		Category 15	19	4.5	24%	Occasionally	No
		Category 21	15	1.5	10%	No	No
		Category 22	14	1.5	11%	No	No
Category 27	14	2.5	18%	Frequently	No		
Average:			13.7	2.8	25.5%		

* All pages counted including first page and appendix
** Counted in half pages as detail level and % of total document
*** All three categories are merged in one document
**** The status quo Word template

Document lengths

Sourcing Assignment documents vary widely in length, from minimum four pages in Case 2 to maximum 25 pages in Case 4, see Table 5.8. Some documents contain extremely little agreed actions while others contain comparatively much, spanning from half a page in Case 3 to nine pages in Case 4. Notably documents in Case 2 contain 100% agreed actions, if first page and appendix is excluded from the count, while the corresponding number in Case 3 is as low as 4%. Averaging the studied documents for all cases result in an average total page count of 14 with 3 pages devoted to agreed actions translating to around 25% of a document. Comparing document lengths and agreed actions proportion show that long documents with low proportion have been created in majority of cases, see Figure 5.13. Extremely little agreed actions were specified in documents connected to Case 3 and Case 5 compared to the length of documents. Only in Case 2 was a satisfactory balance observed. The lengthy documents in Case 4 can still be acceptable due to the high proportion of agreements. An element strived for in the construct is shorter and simplified documents with high agreed actions proportion while background information is moved to appendix, i.e. documents in Case 2 can be considered best practice.

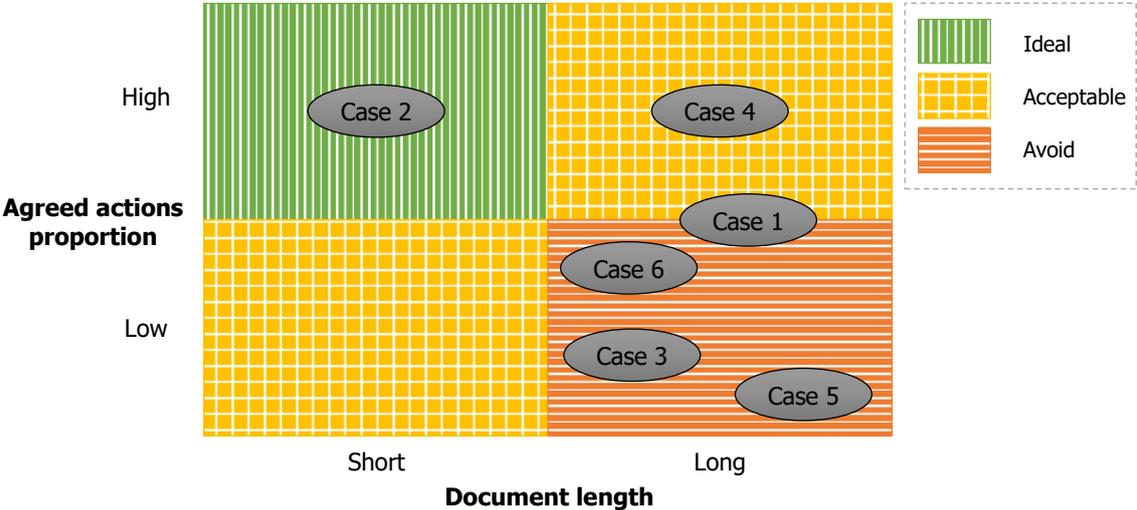


Figure 5.13: Document length versus agreed actions proportion.

Full versus light version³⁶

Generally, interviewees had a positive viewpoint toward having two document versions, e.g. a full version and a light version. CMs in Case 1 and Case 3 meant light versions were desired with the BA in Case 2 since the top priority approach resulted in exclusion. Having distinguished between low/mid and top priority process levels fits well with the idea to have two document versions. A light version could be suggested for the low/mid priority level while a full version for the top priority level. Agreements are then more likely to be documented, particularly for categories allocating majority of their volumes to one BA while remaining small in that BA. Striving for extensive documents, as in Case 3 and Case 5, is not meaningful with all categories. Instead optionality could be built into documents as a mean to ensure only relevant headings are discussed in meetings stimulating creative thinking. The construct comprises a flexible document which easily can be scaled up to a full version or shortened to a light version depending on need.

³⁶ Category source plan document lengths can vary according to O'Brien (2015), see Figure 3.15.

Differentiating Sourcing Assignment document complexity for low/mid and top priority relations is therefore recommended.

Document content

Status quo has seemingly had negative influence on Sourcing Assignment document lengths while redirecting focus on background information, e.g. BAs current performance and HFB BPLs. Interviewees in Case 5 and Case 6 stated that the document table of content was used to create the meeting agenda. Thus, meetings likely treat HFBs background information rather than agreeing on actions in the tactical time horizon due to the unbalanced proportions in documents. The fact that majority of document content consist of the BA perspective does not facilitate more balanced meeting agendas between BAs and categories, see *Figure 5.14*. The category perspective is only systematically captured in Case 4’s *key activities*, occasionally in Case 6’s *actions* and for some of the background information headings in Case 3. Document templates in Case 5 will have an updated layout for 2017 with category input being explicitly requested in the main text. However, document content across cases is dominated by the BA/HFB perspective with the category viewpoint frequently only being reflected in the agreed actions section as in Case 2. In *Section 5.1.3*, it was identified that currently BAs contribute more to meetings than categories but that more equality was desired. A more balanced document content where category SWOT input is requested is therefore part of the construct to steer document templates in the same direction.

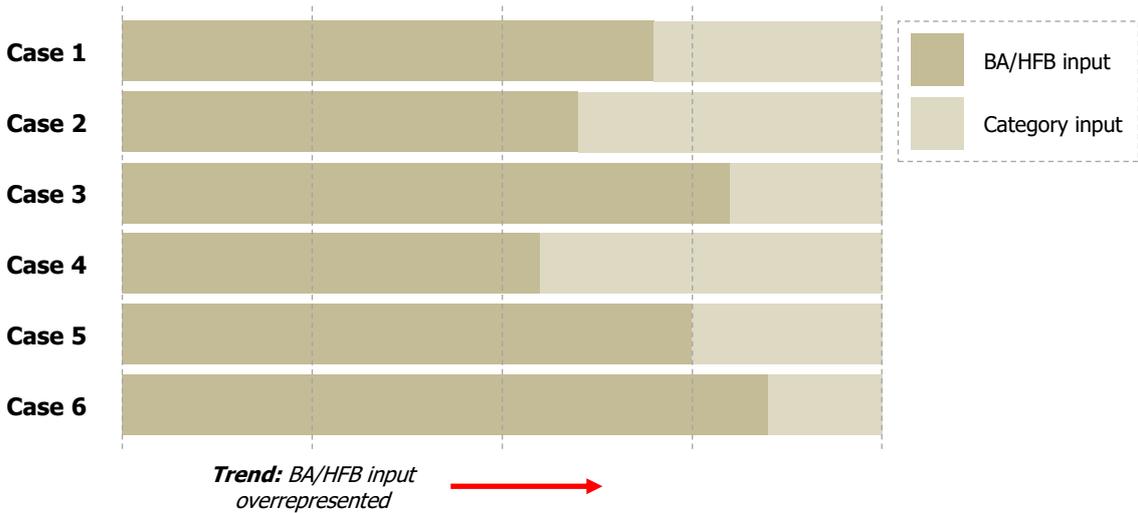


Figure 5.14: Sourcing Assignment document content balance contrasting BA/HFB versus category input.

That document content includes much current performance first in documents imply that focus easily becomes on the operational level. An interviewee in Case 2 meant documents are too historically oriented instead of having an outlook on the future. If document content remains structured as today, the identified short-term trend could possibly continue. Completely removing current performance from documents is probably not optimal as discussions on future direction must be based on existing facts and data. A significantly shortened section highlighting relevant KPIs, separated as good to know and need to know, are included in the construct but put in appendix and consequently with a diminishing focus³⁷. Since the construct moves current

³⁷ O’Brien (2015) includes current situation and future sourcing strategy and van Weele (2014) includes current and future business requirements in category source/sourcing plans, see *Section 3.3.2*, *Table 3.4* and *Table 3.5*.

performance to appendix and removes HFB BPL background information, it becomes even more important that pre-reads are read and reflected upon as preparatory steps. Therefore, BPL sharing meetings, elaborated on in Section 5.3, are suggested to be communicated as preparation to Sourcing Assignment.

5.2.2. Agreed actions

The agreed actions part of document templates is less uniform compared to the background information part, with headings varying between all cases, see Table 5.7. However, often similar headings are used interchangeably, e.g. *balance sales and supply* and *availability*, *cost reduction* and *total cost*, *sourcing* and *purchasing*. Headings like e.g. capacity, quality, product and production improvement, sustainability, material and technique development, supplier base and shared solutions are mentioned more than once across cases in the agreed actions section. But overall no common pattern can be observed for how the agreed actions are structured. This means that a CM working with several BAs, e.g. an interviewed CM working with the BA in Case 1, Case 2, Case 3 and Case 6, discuss agreed actions under different headings for each Sourcing Assignment relation. While it can cause some confusion, it makes sense that topics differ across documents due to unique business contexts. However, headings exemplified in Table 5.7 are used for all documents, e.g. the seven agreed actions headings in Case 3 are applied to all 17 documents, even though more appropriate headings might be preferred for each document in question. Therefore, the element of flexibility is reflected also in the agreed actions headings. A synthesis of all headings used across the cases is compiled to a list in the construct from which the most relevant can be chosen by the involved resources.

Actionability of agreed actions

Cross-case analysing formulations of agreed actions indicate that a low actionability is present in Sourcing Assignment documents, see Table 5.8 and Figure 5.15. Adding to this, none of the cases outlined priority order for the agreed actions. Consequently, e.g. planning and resource allocation can become problematic as mentioned by a CM in Case 5.

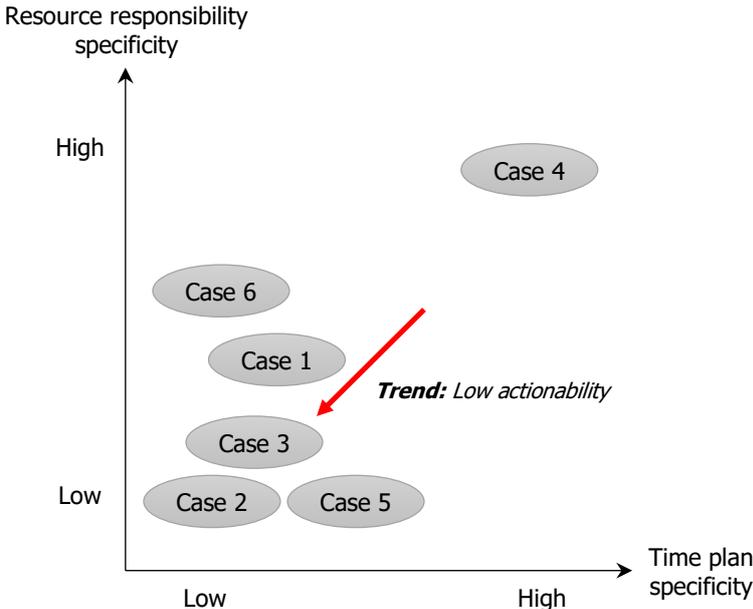


Figure 5.15: Degree of actionability in Sourcing Assignment document templates.

The agreed actions are basically compiled, and in most cases relatively unstructured, meeting notes, see *Appendix 3*. Formulations are rarely specified in measurable or quantified terms. For example, in Case 2 nothing whatsoever is specified regarding responsibility of resources and time plan for agreements. As it is not written down in documents, it must be assumed that meeting attendees keep that information in mind instead. On the contrary, Case 4 can be considered best practice since agreed actions are consistently specified with very high detail level. Every single agreed action is structured to answer simple questions like *what, how, goal, finalised* and *responsible*. Actionability varies widely among documents in the other cases. Some documents mention responsible resources frequently and others not at all, and the same goes for time plans. The variation from document to document, even within the same case, indicates that actionability shift depending on the assigned notetakers capability to make structured formulations. Without an agreed actions template, like the one created in Case 4, formulations risk becoming vague and lacking ownership. This could potentially leave too much room for interpretation to readers not present at Sourcing Assignment meetings, e.g. during the suggested SCM and CM review point for low/mid priority documents created by SDs and CSSs. More specificity could also facilitate the use of Sourcing Assignment agreements in succeeding processes, like the category APL process, and the wider organisation. The identified best practice agreed actions template from Case 4, with the addition of priority order and distinguished time horizons, is therefore an element in the construct^{38, 39, 40, 41}.

Follow-up of agreed actions

The cross-case comparison in *Section 5.1.4* showed that very few formal Sourcing Assignment follow-ups have been conducted. In fact, Case 6 is the only case which have *documented* follow-ups. However, notes in the form of bullet points from Sourcing Assignment follow-up meetings are simply put last in documents without a clear connection to prior agreements. Because no other case documented follow-ups Case 6 is still regarded as best practice. In Case 4, agreed actions were deleted from documents if no action had been taken until the follow-up meeting. This approach is explained by the short-term focus in Case 4 but will not be included as an element due to the questionable applicability for the other cases. The construct includes follow-up in the proposed agreed actions template to facilitate formal documentation⁴².

5.2.3. Document time horizon

Status quo defined Sourcing Assignment to focus on tactical time horizon but also operational and strategic time horizon were mentioned as relevant, i.e. the entire time span from 0 to 5 years. Considered time horizons vary between documents, with Case 4 clearly distinguishing itself from the others with the operational focus. Case 3 covers short-, mid- and long-term while Case 2 systematically exclude operational level. Next, the document time horizon is analysed.

³⁸ O'Brien (2015) recommends inclusion of a high-level implementation plan with timing of activities, see *Table 3.4*.

³⁹ Carlsson (2015) mentions measurable goals, milestones and responsible people, see *Section 3.4.2*.

⁴⁰ Business priorities should be outlined in a category sourcing plan, see *Table 3.5*, and options evaluation is described by O'Brien (2015) to prioritise strategic sourcing options for categories.

⁴¹ Short- (operational), medium- (tactical) and long-term (strategic) activities can be distinguished, see *Table 3.3*.

⁴² Ljungberg and Larsson (2012) state a lot of energy is wasted in steering processes on following-up something that came about quickly and unstructured.

Include or exclude operational

Indications for a potential dilemma was identified once the empirical data was analysed, namely that interviewees desire a living document while focus shall remain in the long-term, see *Figure 5.16*. The question is how it is possible to achieve living Sourcing Assignment documents without including operational time horizon. If short-term is an integrated part of documents it might be difficult to redirect focus back on long-term once brought up. As *Figure 5.7* shows, a general tendency is that discussions in meetings tend to move toward operational level. The fact that underlying related documents like e.g. the APLs and Range Plans are short-term oriented seems to be reflected in Sourcing Assignment as well, see *Section 5.3* for an elaboration. Discussions are probably felt to be more tangible and concrete once the operational agenda is brought up like in Case 4. An element in the construct is to try and preserve the originally defined tactical focus while inclusion of operational level is not restricted. A representative in Case 6 stated the focus was in order of tactical, operational and strategic. If a BA considers that operational topics must be treated in Sourcing Assignment it should be allowed once the tactical agenda has been carefully discussed first. Therefore, to assure long-term inclusion while encouraging living documents to take shape, the document time horizon is suggested to start discussing strategically then tactically and, if applicable, finally operationally. Primarily crucial long-term agreed actions having implications also in the coming 0 to 18 months can be included, e.g. green field projects like building new factories, but also quick wins⁴³.

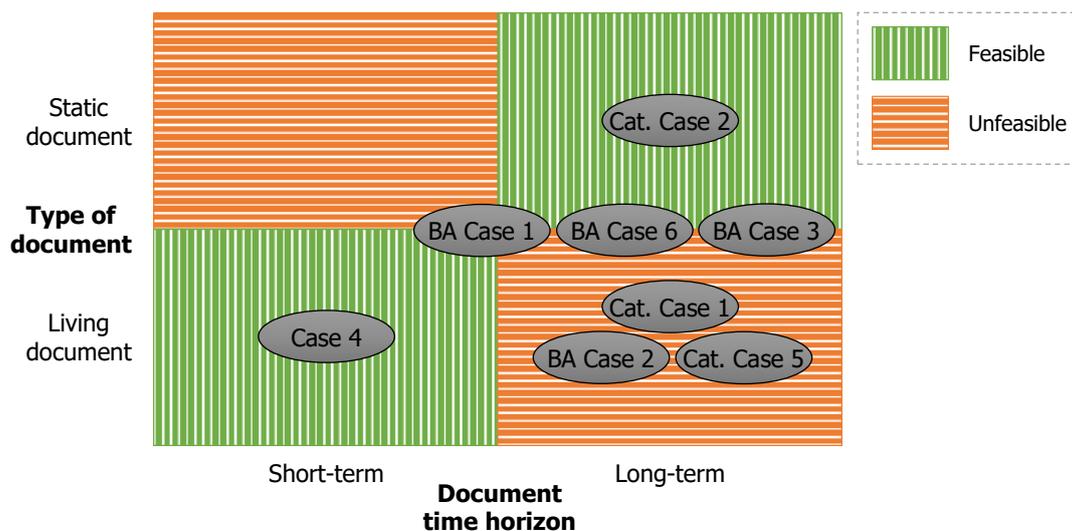


Figure 5.16: Document time horizon versus type of document.

5.2.4. Document role

Assessing the overall viewpoint per case on the Sourcing Assignment concept idea, practical relevancy of documents and of meetings show a pattern, namely that the concept is perceived as a welcomed initiative while the practical relevancy of documents is not recognised, see *Table 5.9*. Interviewees in all cases meant that meetings outweigh documents in relevancy. A potential explanation is that agreements often are made informally and verbally at other meetings. Then, in Sourcing Assignment documents these agreements are formally repeated. The construct does not profile documents as a one-time assignment but as a continuously updated work tool.

⁴³ Realisation of quick wins to do now is mentioned as part of O'Brien's (2015) framework, see *Figure 3.8*.

Table 5.9: View on concept, document and meetings. Plus (+) means positive, zero (0) not mentioned and minus (-) negative.

Interviewees...	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Sum
...attitude toward SA concept idea	+	+	+	-	0	+	+++
...perceived relevancy of current documents	-	-	-	+	-	+/-*	---
...perceived relevancy of current meetings	+/-*	+/-*	+	+	+	+	++++
* Differing BA and category viewpoint							

Document as short- and long-term guidance

As analysed later in Section 5.3, Sourcing Assignment could act as a work tool connecting the HFB APL process and the category APL process (SDP), during spring. Signed Sourcing Assignments then become inputs to the fiscal year focused SDP in categories. The documents could act as guiding stars in categories, i.e. ensure short-term alignment with the agreed long-term actions, see Figure A.8 in Appendix 1 for an illustration. A similar viewpoint on Sourcing Assignment documents can be taken during autumn. Tactical and strategic BPL inputs could be exchanged within Sourcing Assignment documents which can act as long-term guidance as the BA and category BPL processes progress. The construct communicates Sourcing Assignment as a reference document for future course of actions which BAs and categories can use for both short- and long-term alignment.

Human capital to structural capital

Sourcing Assignment documents are prioritised differently across the IKEA organisation with varying efforts put into them. A CM in Case 6 viewed Sourcing Assignment documents, in the current format, as simply a piece of paper with limited usefulness. The creation of documents was stated to not have triggered BAs and categories to jointly improve IKEA's business. In Case 1, a CM meant that Sourcing Assignment has just become an extra work tool that either should be removed or improved. In Case 4, the DCM raised a concern that Sourcing Assignment has neither helped align BA and category nor improved the supplier base. These category comments question Sourcing Assignments added value. Therefore, the construct redefines and clarifies the purpose, i.e. answer why documents are created, with a motivator being capturing and conversion of human capital to structural capital in IKEA's cross-organisational interface.

Supply chain instead of sourcing⁴⁴

Sourcing Assignment is an input to IKEA's core process 'Develop product and service capacities to meet consumer demand' which aim to optimise the entire value chain via a world class supplier base. However, Sourcing Assignment documents have become broader than capacities. Consequently, *sourcing* might be a too narrow term to associate the internal agreements with and a more accurate term could be *supply chain*. Case 4 have already recognised the importance to cover the entire value chain in the *Supply Chain Alignment* meetings. Ideally, BAs/HFBs shall influence categories supplier base capabilities to meet future product developments while categories impact BAs/HFBs range plans based on supplier base opportunities. A broader perspective than sourcing is then required. Further, that documents are referred to as an *assignment* handed over from BAs to categories does not match with interviewees desire to have a more equal contribution. A general recommendation to IKEA is to evaluate the Sourcing Assignment name.

⁴⁴ O'Brien (2015) means that a foundation for category management is strategic sourcing which require a connected supply chain between customers, business strategy and suppliers, see Figure 3.10. Compare with IKEA's value chain.

5.3. Processes and documents related to Sourcing Assignment

In this sub-section, the cases are analysed against each other to point out problems in processes and documents related to Sourcing Assignment and identify measures to overcome them. The parts of the research model that are in focus in this section are coloured dark grey in *Figure 5.17*. Primarily general recommendations to consider for IKEA are identified which are *not* included as elements in the developed Sourcing Assignment construct.

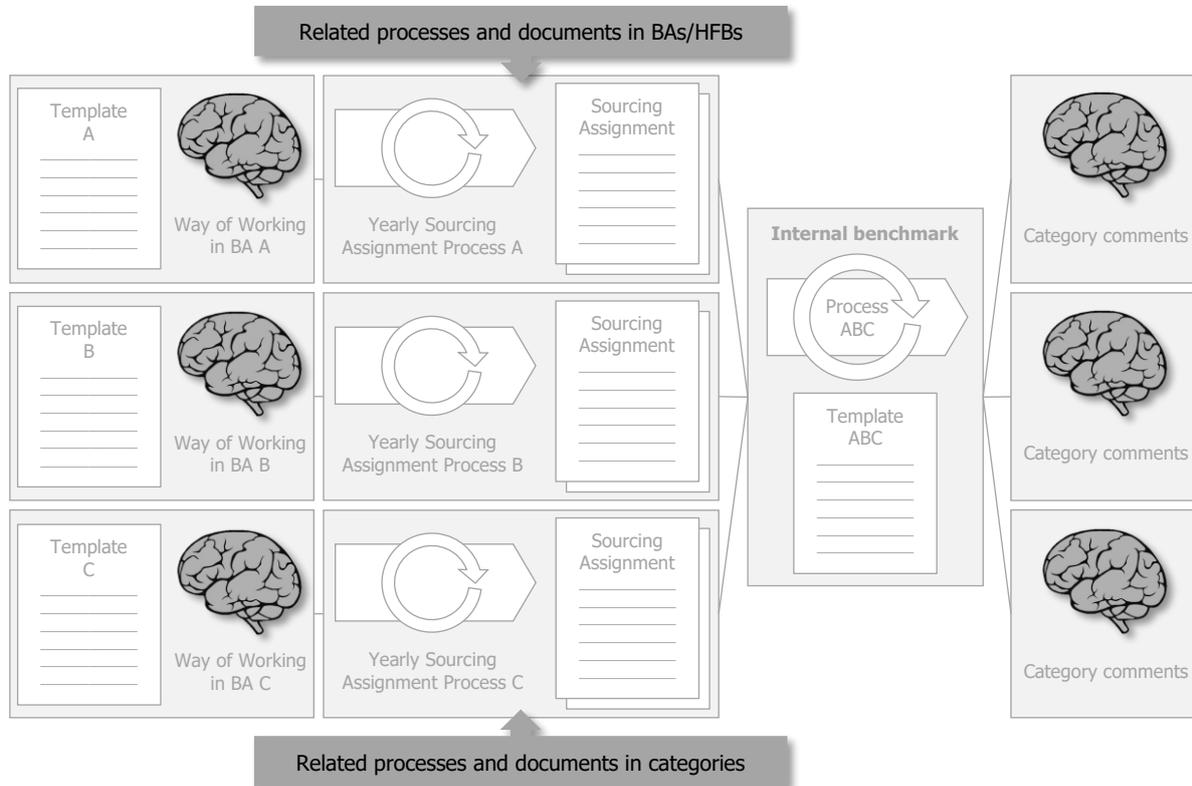


Figure 5.17: Focused parts from the research model for cross-case analysing related processes and documents.

Range plans, Long-term plans, Growth plans etc.

Several internal documents are relevant for Sourcing Assignment, e.g. BPLs, APLs, Range Plans, LTPs, Growth plans etc. These documents are for example created in the BPL and APL processes in BAs/HFBs and categories. A few interviewed category representatives mentioned that differing quality of data, calculation models, growth indexes, Range Plans etc. across BAs is problematic also for Sourcing Assignment. Widespread categories need to condense BAs dispersed information into a totality to be able to optimise capacities in the supplier base. Without unified work methods underlying Sourcing Assignment, the individual BA process approaches could possibly diverge further. A general recommendation to IKEA is therefore to oversee how BAs, and categories, can better approach one way of working, for instance by expanding on the common ONE IKEA BPL process initiative to other related processes and documents as well⁴⁵.

In Case 1, Case 2, Case 3, Case 4 and Case 6 problems related to Range Plans were briefed during interviews, see *Table 5.10*. The main problem that was mentioned was that Range Plans created

⁴⁵ Carlsson (2015) points out that it would be wasteful and time-consuming if individual sourcing processes and models were to be used across category purchasing teams in IKEA, see *Section 3.4.1*.

in BAs are too vague in the long-term horizon. The root cause lies in the different ways of working in BAs/HFBs and categories. BAs/HFBs are the ones developing new product ranges and maximum freedom is desired for as long as possible. For instance, developing a more comfortable or sustainable furniture cannot immediately be specified with exact materials to be used. It must be explored in various projects which consequently lead to sourcing uncertainty in categories during that period. On the other hand, categories, which adjust capacities in the supplier base to meet BA/HFB needs, want detailed information for many years to come, e.g. product functions and materials, as early as possible to optimise the supplier landscape accordingly. IKEA’s Range Plans do not capture this to categories desired extent which are considered too short-term and changeable. An interviewee in Case 1 mentioned that short-term oriented Range Plans is a chronic problem within IKEA. In fact, the Range Plan caused stalemate in Sourcing Assignment discussions in Case 2. Consequently, LTPs building on planned range development are also perceived as vague.

Table 5.10: Summary of concerns raised on related documents. Plus (+) means problematic and zero (0) means not mentioned.

Process/Document	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Sum
Range Plan	+	+	+	+	0	+	+++++
Material specification	0	+	+	+	+	+	+++++
Long-term plan (LTP)	+	+	0	0	0	+	+++
Growth Plan	0	0	0	+	0	+	++
BPL/APL	+	+	+	+	+	+	++++++

The long-term vagueness many interviewees express for Sourcing Assignment seems to exist already in the related documents. A possibility could be to incorporate a *material dimension* in the Range Plans which can reduce the number of category candidates at early stages in the product development process, i.e. DPOP. For example, knowing that only 3 out of 34 categories will be applicable to create a more sustainable furniture can facilitate categories capacity scenario planning. Only having a *product dimension* as today does not seem to suit the material-oriented category organisation optimally. In Case 1 and Case 2 it was mentioned that more agility could be built into IKEA’s products and production to meet consumer demands faster. A general recommendation for IKEA would be to find a better balance between how BAs/HFBs and categories desire to work, with more agility as an option.

Material innovation agenda

An interviewee in Case 5 stated that the material innovation agenda is missing in Sourcing Assignment. Categories work closely with the Material & Innovation Development (M&ID) Assignments in IKEA and a wish from BA-side was that this relationship should be strengthened by categories. Then, material limitations and possibilities can be better discussed in Sourcing Assignment as well. A possible solution to increase material awareness was highlighted in Case 2, namely the introduction of internal material fairs arranged by categories. BAs/HFBs get the opportunity to see demonstrations of future materials and inspiring solutions for new product developments at such material fairs. A recommendation is to investigate how the material innovation agenda can be communicated better in IKEA, e.g. via more material fairs, and possibly incorporated into Sourcing Assignment via M&ID Assignments.

Connecting APL and BPL processes via IKEA Offer

As seen in *Table 5.10*, all cases raised concerns regarding the APL and BPL processes. A frequently mentioned problem was that related processes are unsynchronised and misaligned between BAs/HFBs and categories, most notably the APL processes. In Case 4, Sourcing Assignment was described as a work tool connecting the HFB APL process and category APL process, i.e. the SDP. Spring Sourcing Assignment meetings have been postponed until around May after the HFB APL finalise in basically all cases. Around May the SDP has been running in categories for a while. As currently defined, Sourcing Assignment documents should ideally already have come as input into IKEA Offer in the SDP at that time, see *Figure 4.6*. The question is whether the delayed Sourcing Assignment input to categories are acceptable or not, especially if the document role will be to act as reference document for guidance in the SDP as mentioned in *Section 5.2.4*.

Different opinions were raised with some interviewees seeing the input delay as problematic while others were unconcerned. CMs in Case 1, Case 2, Case 3 and Case 6 stated that Sourcing Assignment optimally should be input to the SDP’s IKEA Offer early to ensure short-term alignment in category APLs with the tactical agreements, see *Table 5.11*. BA representatives instead meant that a timing after the HFB APL finish is desired. The delay might not be that concerning for categories since the SDP run for several months and long-term Sourcing Assignment inputs can still be incorporated in the final category APL version. The fact that Sourcing Assignment is done also in autumn, at least for top priority relations, mean that these documents can be used as input once the SDP kick-off until the spring documents are in place. A recommendation to IKEA is therefore to update the SDP process specification and reformulate it by stating that Sourcing Assignment will be input for IKEA Offer around May instead of a couple of months earlier as today⁴⁶. Sourcing Assignment as input to IKEA offer for the autumn category BPL process, i.e. the PDP, is suggested to remain unchanged.

Table 5.11: Desired Sourcing Assignment spring input timing comparing categories and BAs. Zero (0) means not mentioned.

Desired spring meeting timing	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6
IKEA Offer in SDP (around March)	Category	Category	Category	Category	0	Category
After HFB APL process (around May)	BA	BA	0	BA	0	BA

BPL sharing meetings as preparation

Today, some BAs, for example in Case 1, Case 2, Case 3 and Case 6, arrange so called HFB BPL sharing meetings with categories after the January BCs. This means that these categories have heard the HFB BPL before entering a Sourcing Assignment meeting. Thus, there is no need to include extensive amounts of HFB BPL background information in documents and reading pre-reads become less discouraging. A recommendation is that all BAs and categories should implement *individual* BPL sharing meetings after the January BCs and CCs. This would act as a preparatory step for Sourcing Assignment since the HFB BPL, and to some extent also the category BPL, is a foundation for discussions. Ideally, category specific implications should be extracted by the BA from the HFB BPL and gone through on these BPL sharing meetings. Doing it prior to Sourcing Assignment meetings enables better time management.

⁴⁶ Sourcing Assignment is just one of several inputs to IKEA Offer in the SDP (IKEA, 2017B). Only the Sourcing Assignment input is suggested to come later into the SDP while the IKEA Offer process step remains unchanged.

6. Developed construct

Several elements to include in a construct were identified resulting from the cross-case analysis in Chapter 5, summarised in Table 6.1. This chapter presents the recommendations to IKEA regarding how a best practice way of working with the Sourcing Assignment process and Sourcing Assignment document can look like. The construct consists of a two-level Sourcing Assignment framework and a Sourcing Assignment handbook including the new document template. The handbook includes clarified purpose, a new year cycle and an updated meeting agenda as the document table of contents. The developed construct aims to answer questions related to why, when and how work related to Sourcing Assignment should be conducted in IKEA.

The objectives set out by IKEA stated that the master's thesis should benchmark best practice for Sourcing Assignment and propose updated process and template. The process and document constructs are developed based on the best practice elements identified in the cross-case analysis coupled with interviewees desired way of working, found in Appendix 1 and Appendix 2, to assure incorporation of interviewee feedback, and theoretical elements highlighted in Chapter 3.

Table 6.1: Elements included in the construct summarised under main-headings used in the cross-case analysis.

Process elements	Document elements
<p>Individual process approaches</p> <ul style="list-style-type: none"> • Individual instead of clustered meetings • Synthesis of all-inclusive and top priority approach (solve internal power-dependency dilemma while prioritising top business contributors) • Two process priority levels (low/mid and top) • Time horizon flexibility, customisation and optionality • Supply Chain Alignment meetings at Home Weeks • One way of working (collective process) – as common as possible, as unique as needed <p>Resources</p> <ul style="list-style-type: none"> • Actively involve more resources (e.g. SDs) • Cross-functional approach • Control mechanism – SCM and CM review point • Broad competence on few resources • Recommended versus required competences • Senior management involvement <p>Activities</p> <ul style="list-style-type: none"> • Preparatory steps (pre-reads, BPL sharing meetings, long-term discussion topics etc.) • More equal contribution (joint process) • Expectations alignment • Mandatory meetings • Meeting frequencies (minimum once versus twice a year) <p>Process management</p> <ul style="list-style-type: none"> • Year cycle clarification and integration • BA lead spring and category autumn meetings • Spring meetings after HFB APL process finish (in May) • Fixed dates in IKEA's official year cycle • Formal follow-up part on the yearly meetings • Integrate BPL input sharing • Internal third-party reviewer (process owner/leader, support/control unit) 	<p>Document template</p> <ul style="list-style-type: none"> • Simplification compared to status quo • Short document length with high agreed actions proportion • Focus on agreed actions • Two document versions (full versus light version) • Flexibility to easily lengthen or shorten document • Freedom in discussion topics • Balanced BA/HFB and category document content • Background information in appendix • Current performance KPIs in appendix <p>Agreed actions</p> <ul style="list-style-type: none"> • Selection list (synthesis of all agreed actions headings) • Short-, medium- and long-term (i.e. operational, tactical and strategic) activities • Agreed actions template (what, how, goal, finalised, responsible and priority) • Follow-up template <p>Document time horizon</p> <ul style="list-style-type: none"> • Focus in order of tactical, operational and strategic • Discuss in order of strategic, tactical and operational • Include operational depending on need (e.g. actions of firefighting character, joint projects, green-field projects, quick wins etc.) <p>Document role</p> <ul style="list-style-type: none"> • Living document and not a one-time assignment • A tool continuously and consciously used • Reference document for guidance • Supply chain scope instead of sourcing • Human capital to structural capital

6.1. Sourcing Assignment process construct

The developed Sourcing Assignment process construct in the form of a Sourcing Assignment framework, see Figure 6.1, and the complementary Sourcing Assignment process map, see Figure 6.2, and Sourcing Assignment year cycle, see Figure 6.3, are elaborated upon below.

Currently, the only process description of Sourcing Assignment that are available to IKEA employees are status quo, see *Figure 1.5* and *Appendix 6*. During interviews, it became apparent that the way of working with Sourcing Assignment has in many cases only been a single meeting. It was also clear that BAs approached categories with individual process approaches instead of a common approach across the organisation. The process construct outlines a two-level framework with one low/mid and top priority level for Sourcing Assignment processes and documents allowing a certain degree of flexibility while facilitating higher degree of process establishment. The cross-case analysis identified several process-related problems which the construct eliminates while meeting unique BA and category conditions. The elements included in the proposed process construct are listed in *Table 6.1*. The process construct can be viewed as an extension of status quo acting as a new framework to help involved employees to work with Sourcing Assignment. The most important difference between the process construct and status quo is the addition of the two-level Sourcing Assignment framework, see *Figure 6.1*, which suggests varying resources, activities and process management for each level. A new detailed Sourcing Assignment process map and adjusted Sourcing Assignment year cycle, see *Figure 6.2* and *Figure 6.3*, accompanies the two-level framework. The new improved Sourcing Assignment process could be initiated at the time of Yearly Meeting 2, i.e. a first document version is recommended to be created ideally at Meeting 0 around May.

6.2. Sourcing Assignment document construct

The Sourcing Assignment handbook, including the new document template, can be found in its entirety in *Appendix 7*. The status quo document template, i.e. between BA Lighting and Category 20, was frequently deemed as too extensive by interviewees. Also, many Sourcing Assignment documents contain very little agreed actions and primarily focus on background information and current performance. The new document template focuses heavily on agreed actions, making documents significantly shorter, while providing some communicative templates to improve actionability in agreements, something which is completely missing in status quo. The Sourcing Assignment document construct allows flexibility in discussion topics and document length by proposing two document versions, a light version for the low/mid priority level and a full version for the top priority level. Sourcing Assignment document templates are thus standardised across IKEA while still enabling uniqueness in content for each specific BA and category document.

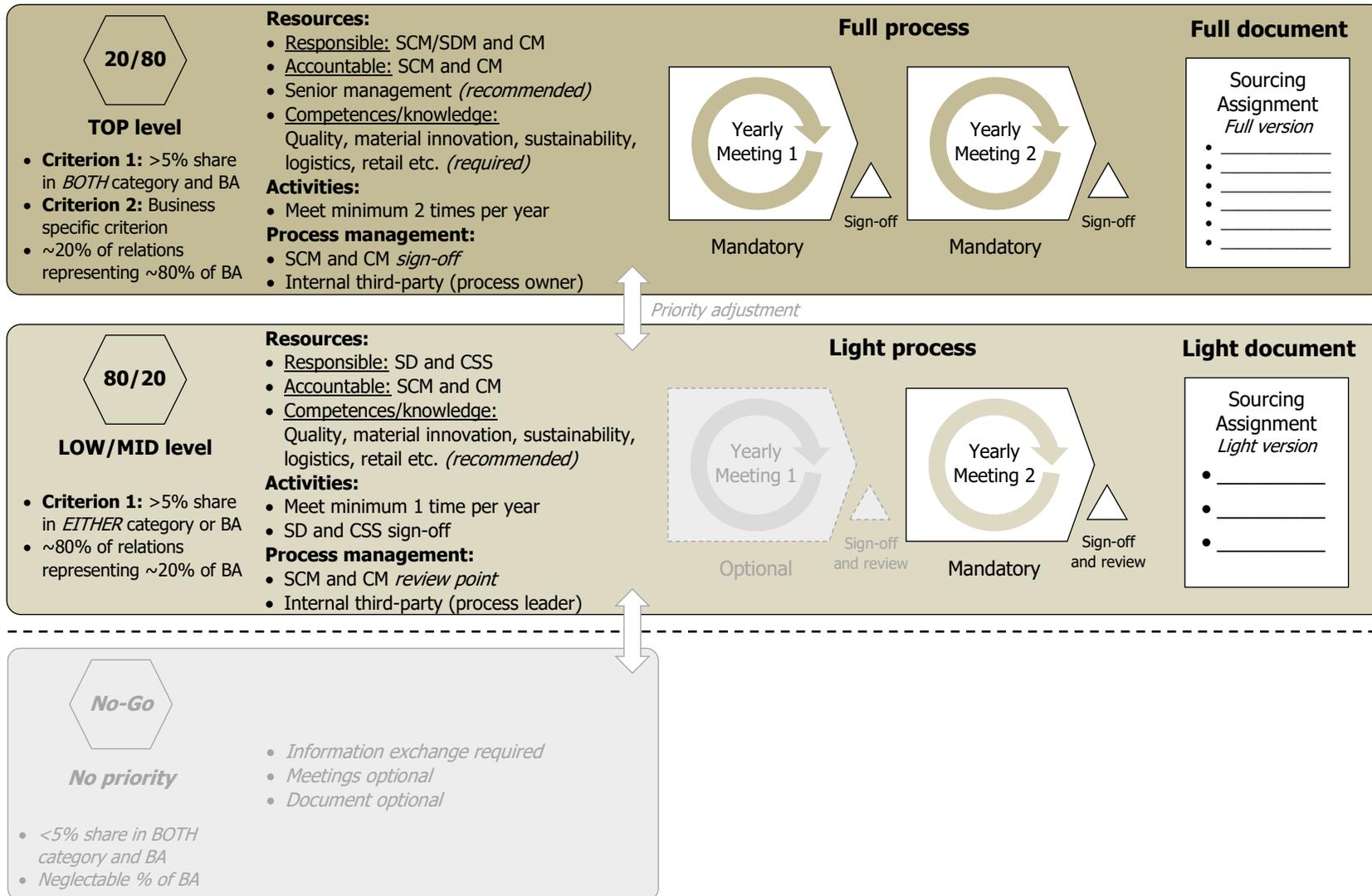


Figure 6.1: Top and low/mid priority level Sourcing Assignment framework.

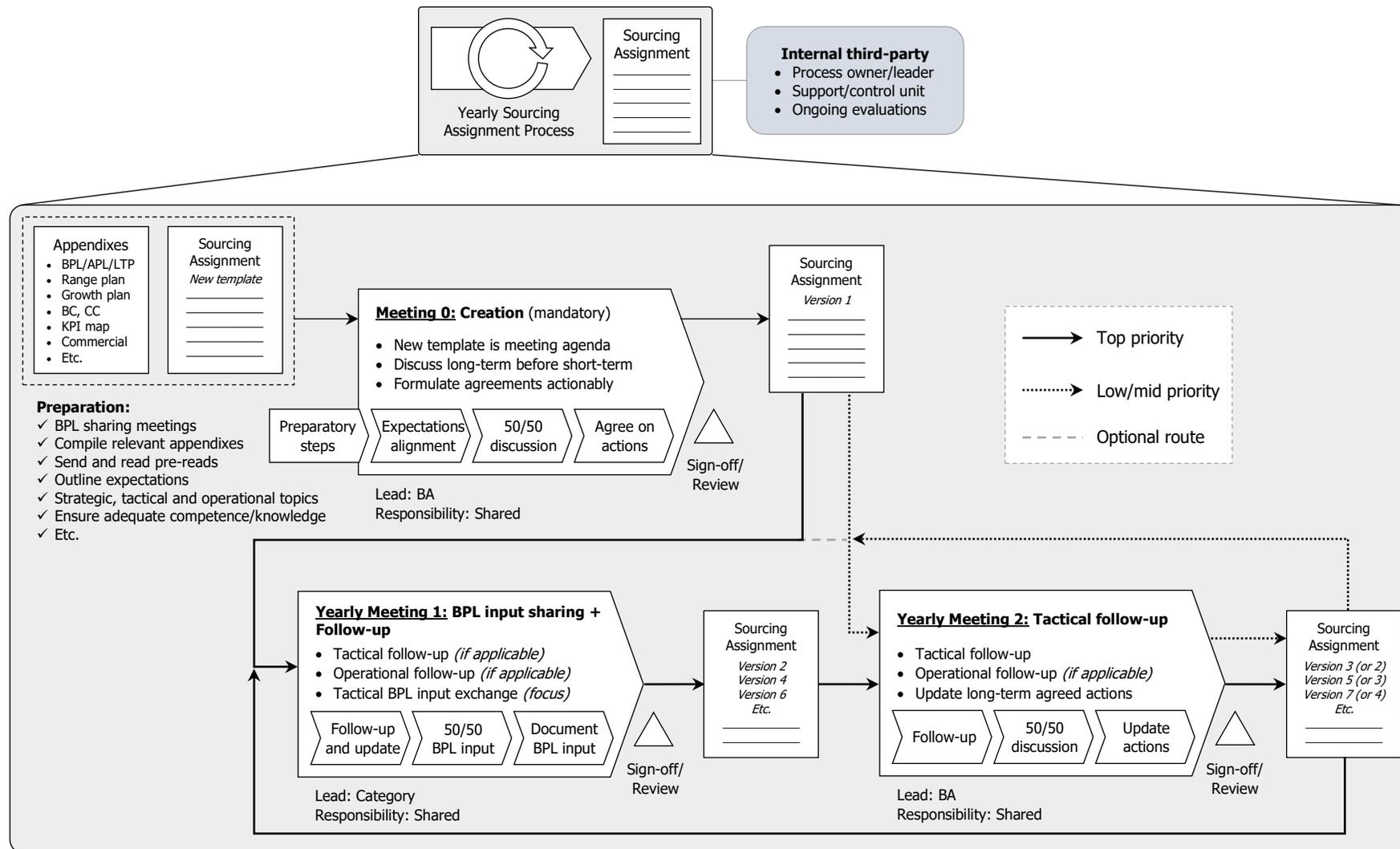


Figure 6.2: Detailed top and low/mid priority level Sourcing Assignment process map.

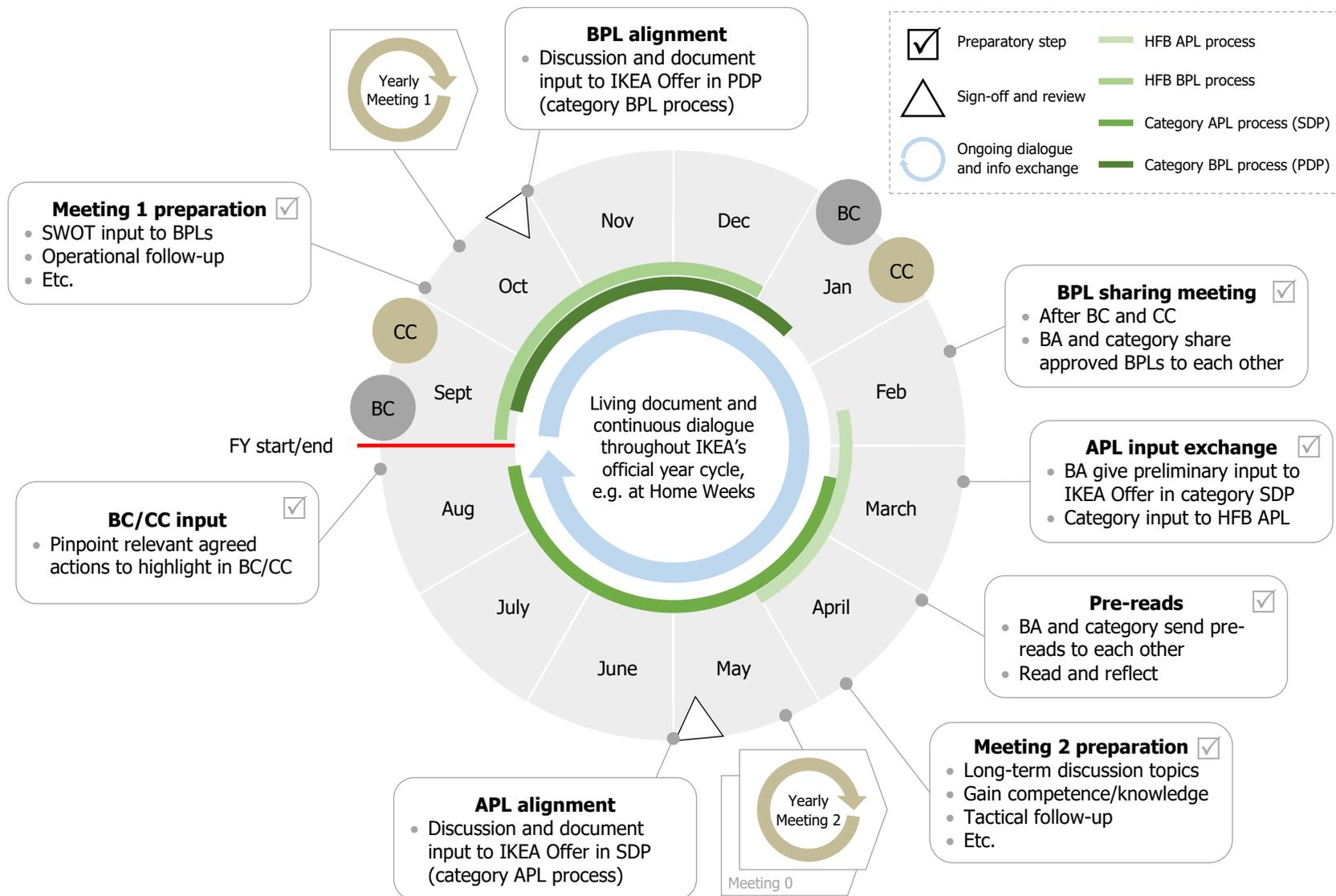


Figure 6.3: New Sourcing Assignment year cycle extending beyond the yearly meetings.

7. Testing the construct

This chapter outlines how the developed construct from Chapter 6 was tested and what the tests indicated should remain, be changed or added. Two different qualitative tests were conducted, one in a real Sourcing Assignment meeting between BA B&B and Category 24, and one discussion meeting with the Purchasing Development Manager assistant as well as BA/HFB and category representatives.

7.1. Test 1: Sourcing Assignment meeting

Parts of the Sourcing Assignment document construct, i.e. the new document template presented in Section 6.2, were tested in a real Sourcing Assignment meeting held between BA B&B and Category 24. It was the first time these two parties met for Sourcing Assignment, i.e. characterised as Meeting 0 in Figure 6.2, and the proposed preparatory steps in the construct were not possible to test. A clear internal power-dependency dilemma could be identified since the category had a share of 1,4% in the BA while the category allocated 64,4% of its purchase volumes to the BA, i.e. the relation was classified as low/mid priority in the proposed Sourcing Assignment framework in Figure 6.1. Six other meeting attendees were attending besides the author, see Table 7.1, with several different roles like SDM, SD, CM and CSS being present. The purpose with the test, from the authors viewpoint, was to present:

- Internal power-dependency situation
- Year cycle including preparatory checklist, see Figure 6.3
- Time horizon discussion order and focus order, see Figure 1 in Appendix 7
- Actionable discussion topics, see Table 5 in Appendix 7
- Agreed actions template, see Table 6 in Appendix 7

Then, throughout the rest of the meeting the author observed how meeting attendees decided to discuss and agree on actions knowing the initially communicated figures and tables.

Table 7.1: Meeting attendees during the Sourcing Assignment meeting.

Date: 2017-05-30	Time: 150 mins
Role	Organisation
Sourcing Development Manager (SDM)	BA B&B
Deputy Development Manager, Engineering Quality Requirements (EQR)	BA B&B
Sourcing Developer (SD)	BA B&B
Category Manager (CM)	Category 24
Category Sourcing Specialist (CSS)	IKEA Components
Requirement Engineer	IKEA Components

Based on the internal power-dependency situation, calculated based on allocation of category purchase volumes, some expectations were outlined, for instance that the BA would not focus heavily on the Sourcing Assignment in question which was fully understandable to the CM. However, since Category 24 is an *integrated category*, i.e. work closely with IKEA Components, it was clarified that a strong connection still existed as IKEA Components were involved in integration of mirrors in bedroom and bathroom furniture via end-suppliers. It seemed highly

relevant to initiate the meeting with expectations alignment to the author. *Figure 1* in *Appendix 7* was shown to remind that a long-term mindset should be kept in the meeting. Meeting attendees were prompted to start discussing long-term prior to short-term while focusing in the order of tactical, operational and strategic time horizon. No objections were raised by participants regarding this. Meeting attendees were then told to collectively motivate and decide a limited number of important tactical discussion topics for the unique Sourcing Assignment relation based on the list in *Table 5* in *Appendix 7* to create the meeting agenda. This resulted in a selection of five prioritised topics, namely quality, way of working, growth and capacity, new materials and standards, and sourcing/IKEA Components. Then, agreements were suggested to be formulated as both *overall agreements* and *detailed actions* within the template shown in *Table 6* in *Appendix 7*. The observations made by the author are summarised below:

- Outlining internal power-dependency situation naturally triggered expectation alignment
- *Table 5* in *Appendix 7* was easily understood and led to only relevant topics being discussed
- Short-term discussions about current performance KPIs started immediately even though *Figure 1* in *Appendix 7* was shown encouraging long-term mindset
- Meeting attendees prompted each other to keep tactical focus after some time
- It seemed sub-optimal that BA B&B’s SDM assigned himself official notetaker while simultaneously acting as meeting facilitator to lead discussions forward
- Customer and retail perspective naturally became a starting point for the quality topic
- Chronic struggles in the market were discussed, e.g. humidity effects on mirrors
- Long-term glass industry trends and market competition influenced strategic discussions
- Rather well-balanced contribution even though many meeting attendees were present in the room and some basically only listened the entire time
- No one from category had read BA pre-reads and an additional meeting was suggested
- IKEA Components employees could not access internal storage drives
- HFB background information was not mentioned and only focus was actionable topics
- No collective reconciliation was made on agreed actions before concluding the meeting
- Meeting finished earlier than anticipated but additional topics were not discussed
- Agreed actions were not specified with much detail, except responsibility, as encouraged in *Table 6* in *Appendix 7* but instead as overall agreements

7.2. Test 2: Discussion meeting

The developed construct, i.e. the Sourcing Assignment framework, process map, year cycle and new document template, see *Chapter 6* and *Appendix 7*, was presented and discussed with a SCM, SDM, Category Analyst and the Purchasing Development Manager assistant, see *Table 7.2*. The purpose was to ensure practical relevancy of the construct and collect feedback for improvements.

Table 7.2: Meeting attendees during the discussion meeting.

Date: 2017-06-15	Time: 80 mins
Role	Organisation
Supply Chain Manager (SCM)	BA B&B
Sourcing Development Manager (SDM)	BA B&B
Assistant to Purchasing Development Manager	Purchasing Development
Category Analyst	Purchasing Development

Comments from meeting attendees to consider in the developed construct are listed below:

- Determining low/mid or top priority level only based on internal power-dependency of each other is too simple and an extra criterion could be added, e.g. importance of the Sourcing Assignment relation in total IKEA
- Two process and document levels with different requirements, see *Figure 6.1*, is a good alternative to increase degree of process establishment but exact meeting content, see *Figure 6.2*, needs to be examined closer⁴⁷
- Involving more resources in the form of SDs and CSSs is likely the correct approach
- Measures to prevent operational focus was welcomed but no good idea came up how to solve the dilemma with keeping long-term focus while making documents more living and operational inclusion was questioned as the best solution
- Existing process owner and process leader for the core process ‘*Develop product and service capacities to meet consumer demand*’, including the Sourcing Assignment sub-process, is probably enough governance and a dedicated support/control unit can be unnecessary
- Sourcing Assignment meetings is more important than documents
- Involving senior management, e.g. Business Leaders, is a must if Sourcing Assignment should have significant impact across IKEA’s categories and ultimately supplier base
- Integrate fixed Sourcing Assignment dates in IKEA’s official year cycle
- Communicate Sourcing Assignment as wider than two meetings and a document
- Maintain capacity focus but a broader scope was perceived as positive
- Closer connection exists to the category BPL process, i.e. Purchase Development Process (PDP), than the category APL process, i.e. Supplier Development Process (SDP) which meant that lifting in BPL SWOT input under Sourcing Assignment is unproblematic
- New document template layout focused on agreed actions instead of background information was appreciated
- *Figure 6.1*, *Figure 6.2* and *Figure 6.3* were mentioned to be good supporting appendixes to the new document template
- Changing the name *Sourcing Assignment* was agreed to be meaningful

7.3. Construct modification

The two tests described in *Section 7.1* and *Section 7.2* led to minor adjustments of the developed construct which are listed in *Table 7.3*.

Table 7.3: Modifications resulting after qualitatively testing the construct.

Process construct
<ul style="list-style-type: none"> • Extra criterion added to distinguish low/mid and top priority levels • Clarified connection to the category BPL process (PDP) in autumn • An officially scheduled meeting week in May and October
Document construct
<ul style="list-style-type: none"> • Practical reminder list in beginning of document template, see <i>Table 1</i> in <i>Appendix 7</i> • Operational time horizon greyed to indicate reduced focus • Broader focus than only capacity in the supplier base by encouraging discussion of any relevant topic • <i>Overall agreements</i> removed from <i>Table 6</i> in <i>Appendix 7</i> meaning only <i>detailed actions</i> remain • Adding empty SWOT matrix to fill in BPL input, see <i>Figure 2</i> in <i>Appendix 7</i> • <i>Figure 6.1</i>, <i>Figure 6.2</i> and <i>Figure 6.3</i> added as appendixes in the new document template

⁴⁷ In the updated status quo from January 2017 it was stated that the Sourcing Assignment meeting content will be updated by the work group which the Purchasing Development Manager assistant is part of.

8. Conclusion

This chapter concludes the master's thesis by describing how the purpose has been fulfilled and answers the research questions. Some general remarks on how IKEA can further improve Sourcing Assignment is pointed out. A discussion is held how the findings extend the theoretical and practical body of knowledge. Limitations in the data collection and cross-case analysis are elaborated upon before finishing with ideas for future research.

8.1. Summary of findings

As mentioned in the introduction chapter, the purpose with this master's thesis is to develop and recommend an improved way of working with IKEA's Sourcing Assignment, i.e. the process and document template, so that IKEA can work more structured and aligned with Sourcing Assignment in the future. Three research questions (RQs) were specified to answer this and are summarised below along with some general remarks to consider for IKEA.

8.1.1. RQ1: How is IKEA working with Sourcing Assignment today?

Status quo⁴⁸ gave BAs the freedom to create their own Sourcing Assignment processes and document templates with some basic guidelines and a proposed template as reference. This meant that individual employees could greatly influence and form both the process and document to suit personal preferences and business contexts. The cross-case analysis show that BAs in IKEA have created different individual process approaches for Sourcing Assignment, namely clustering, top priority, all-inclusive, short-term focus and information sharing approaches. No uniform process could be identified for the studied BAs and categories. Sourcing Assignment was implemented companywide without any centralised governance. The quality standard in ways of working and documents relies heavily on individual SCM and CM abilities to transform the concept idea into reality. The planned evaluation in autumn 2016 was never conducted meaning that learnings from the implementation phase and general feedback has not yet been gathered. Today, IKEA's Sourcing Assignment has varying degrees of process establishment, maturity levels and document standards. The cross-case analysis conducted in *Chapter 5* show that the studied cases differ in several dimensions, see *Table 8.1* for an overview.

Table 8.1: Exemplification of dimensions differing across the studied cases, see Chapter 5 for details.

Cross-case analysed dimensions for IKEA's Sourcing Assignment process and document	
<ul style="list-style-type: none">• Involved IKEA employees and delegation to subordinates• Number of resources versus competence broadness• Degree of preparation and prioritisation• Included and focused time horizon• Contribution comparing BA/HFB and category organisation• Living versus static document compared to time horizon	<ul style="list-style-type: none">• Individual process approaches and process establishment• Integration and timing in IKEA's official year cycle• Formal versus informal follow-up meeting frequency• Document template structure and document content• Document lengths versus agreed actions proportion• Actionability and specificity of agreed actions

As the data collection progressed it became apparent that interviewees did not view Sourcing Assignment as a standalone process in terms of process components as described by Ljungberg and Larsson (2012)⁴⁹. Instead the strong Sourcing Assignment connection to parallel processes in IKEA's year cycle was mentioned. The Sourcing Assignment process has mainly consisted of a

⁴⁸ Status quo refers to the Sourcing Assignment starter package found in *Appendix 6*.

⁴⁹ See *Section 3.2.1*

single yearly meeting between BAs and categories meaning that follow-up meetings so far have been very limited. Further, the cross-case analysis found that Sourcing Assignment's integration into IKEA's official year cycle has been problematic resulting in ad hoc meetings. Sourcing Assignment is seemingly done isolated from the parallel processes in the official year cycle. IKEA's work with Sourcing Assignment share similarity with what Ljungberg and Larsson (2012) state easily happen with steering processes, namely that they are left to fate within an organisation⁵⁰.

8.1.2. RQ2: What is current internal best practice for IKEA's Sourcing Assignment?

Cross-case analysing the empirical data show that none of the studied cases can be considered best practice on its own. Instead, the cases have developed specific process and/or document characteristics that can be regarded as separate parts of a total internal best practice, see *Table 8.2*. Combining the identified individual best practices from the cases is considered to constitute a collective internal best practice for the Sourcing Assignment process and document in IKEA⁵¹. A synthesis between the top priority approach in Case 2 and the all-inclusive approach in Case 3 can be deemed as internal best practice because such an approach manages high process establishment, solves the internal power-dependency dilemma and directs focus on BA/HFB and category relations with significant impact on IKEA Range & Supply. Best practice findings from other cases, for example high actionability of agreed actions and year cycle integration in Case 4, creation of a light document version in Case 5 and follow-up meeting frequency in Case 6, can also be considered as parts of IKEA's Sourcing Assignment best practice.

Table 8.2: Best practice main findings for respective unit of analysis. Individual best practices form one collective best practice.

Case	Sourcing Assignment process	Sourcing Assignment document
Case 1	<ul style="list-style-type: none"> Participation by senior management (e.g. Business Leader) 	<ul style="list-style-type: none"> Shared by CM with rest of category team Full meeting minutes in complementary document
Case 2	<ul style="list-style-type: none"> Outlined a clear Sourcing Assignment year cycle process Functional restructuring in BA resulting in inclusion of all applicable categories as a spin-off benefit Strong process foundation with the most important categories in the BA (top-5 priority) Initiative taken by BA to integrate Sourcing Assignment into IKEA's official year cycle 	<ul style="list-style-type: none"> Pre-reads sent to categories as preparation Category SWOT input to HFB BPL viewed as part of Sourcing Assignment Only agreed actions and short document length Background information and current performance KPIs underlying discussions linked to in appendix
Case 3	<ul style="list-style-type: none"> Active involvement of more resources (SDs) to maintain high process establishment Solved internal power-dependency dilemma with the all-inclusive approach 	<ul style="list-style-type: none"> New document template to be used including only agreed actions
Case 4	<ul style="list-style-type: none"> Sourcing Assignment integrated in Supply Chain Alignment meetings every Home Week Clear year cycle mapped Accountability (SCM) and responsibility (SDs) clearly defined Broad competence involvement (e.g. quality and logistics managers) Used as a tool to align HFB APL process and category APL process (SDP) 	<ul style="list-style-type: none"> Living document frequently updated (consequence of short-term focus) High actionability in agreements (what, how, goal, finalised and responsible specified consistently) Sourcing Assignment viewed as a <i>Supply Chain</i> Assignment with broader scope Owners assigned for parts of document content
Case 5	<ul style="list-style-type: none"> Customer-oriented functions invited (e.g. Commercial) 50/50 balanced meeting agenda between BA and category to be introduced 	<ul style="list-style-type: none"> Creation of a new shorter document template to replace existing long version
Case 6	<ul style="list-style-type: none"> Internal coordination across BAs and categories Formal follow-up meetings arranged consistently Sourcing Assignment viewed as all cross-organisational platform between BA and category 	<ul style="list-style-type: none"> Trends for KPIs highlighted to facilitate follow-up Documentation of follow-up within the template

⁵⁰ See Section 3.2.2

⁵¹ This reasoning is equivalent with Ljungberg and Larsson's (2012), see *Figure 3.7* in Section 3.2.5.

8.1.3. RQ3: How can IKEA improve Sourcing Assignment and why?

IKEA requested an updated process and document template for Sourcing Assignment. The developed construct combines the individual parts of internal best practice, see *Table 8.2*, interviewee comments on desired way of working and theory. A two-level Sourcing Assignment framework is suggested consisting of a low/mid and top priority level, see *Figure 8.1* which is a simplification of *Figure 6.1*. The two-level approach enables establishment of reasonable resource allocation, meeting frequencies and process management for each individual BA and category relation. A new Sourcing Assignment process map, see *Figure 6.2*, and new Sourcing Assignment year cycle, see *Figure 6.3*, are complements to the two-level framework to facilitate process rigour and preparation. The Sourcing Assignment handbook in *Appendix 7* containing the new document template can be used as meeting agenda and protocol for documentation and follow-up for both process levels, i.e. in a light or full version depending on need.

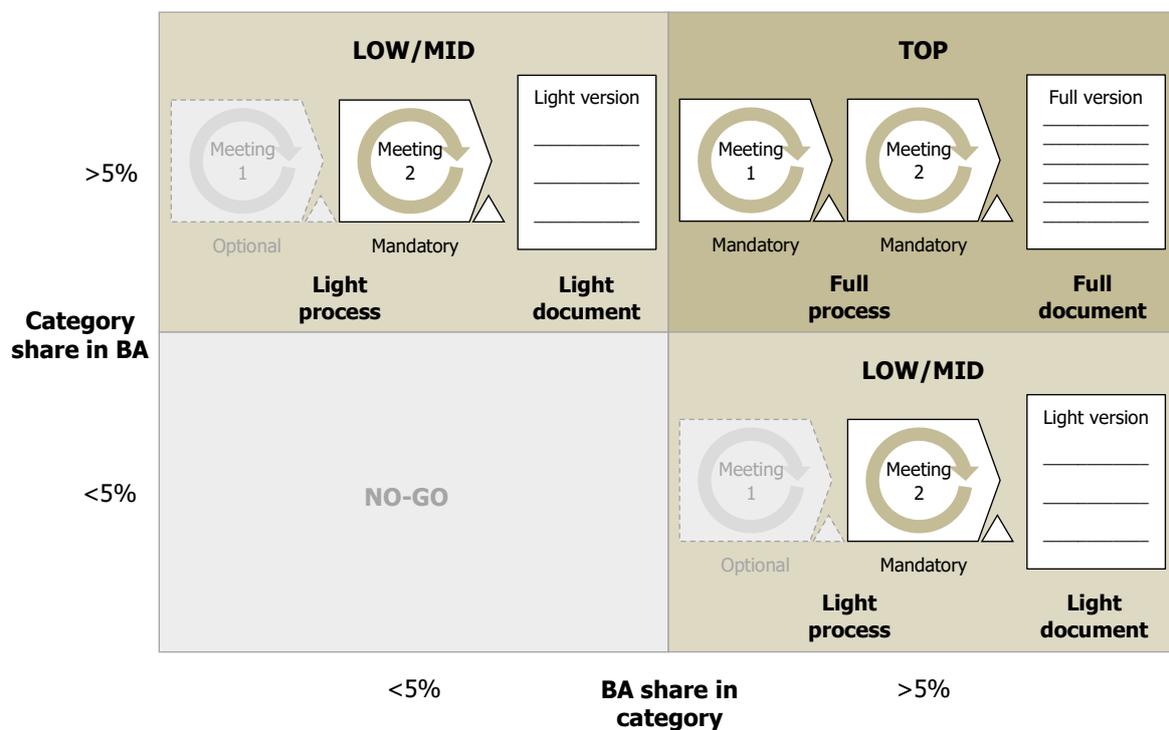


Figure 8.1: Two-level Sourcing Assignment framework for processes and documents adapted from Figure 6.1.

The proposed new way of working with Sourcing Assignment can result in the following benefits:

- Establishment of frequent formalised follow-up meetings and documented follow-up
- Elimination of cross-functional silos and improved alignment between BAs and categories
- Formally integrating Sourcing Assignment into IKEA's official year cycle
- A document template encouraging conversion of human capital to structural capital
- An easy to understand document template improving actionability of agreements and optionality of discussion topics
- Improved governance structure for Sourcing Assignment
- One way of working companywide which meet requirements of flexibility, i.e. as common as possible but as unique as needed
- Higher degree of Sourcing Assignment process establishment

8.1.4. Additional findings

While discussing desired way of working with interviewees some feedback was received which is of interest to IKEA for further consideration. These comments are *not* built into the developed construct but are of value nevertheless and are summarised below.

- A common internal Sourcing Assignment drive to store all documents on for easy access and sharing across the entire organisation
- Include implications for specific categories, e.g. a material-dimension, already in HFB BPLs and Range Plans in addition to the general strategic direction
- Material fairs arranged by categories to better highlight the material innovation agenda
- For a few so called integrated categories it can be applicable to do Sourcing Assignments directly with IKEA Components
- Introduce dedicated Sourcing Assignment weeks or days and integrate it into IKEA's official year cycle
- All BAs should arrange BPL sharing meetings with categories after January BCs
- Other BAs should introduce Supply Chain Alignment meetings, and integrate Sourcing Assignment, during Home Weeks like BA Lighting do
- Pre-made Sourcing Assignment reports can be created in IKEA's KPI system and be used as common tool for data
- Include Sourcing Assignment into existing Range & Supply dashboard

8.2. Contribution

The main contribution is the developed construct itself, i.e. the practical value for IKEA. The proposed two-level framework and Sourcing Assignment handbook can trigger internal IKEA discussions how to improve the existing Sourcing Assignment processes and documents between BAs/HFBs and categories. The master's thesis has captured BA and category viewpoints on both potential problems and desired way of working with Sourcing Assignment. Thus, an internal Sourcing Assignment evaluation has been made when benchmarking best practice and mapping the current situation. The Sourcing Assignment concept creators, IKEA supervisors and other IKEA employees and management working with Sourcing Assignment, can use the master's thesis material for further improvements.

The findings can contribute to theory by increasing understanding of how a gigantic multi-national firm work internally across BAs/HFBs and categories in the IKEA's Range & Supply organisation related to strategic sourcing and category management in purchasing. The master's thesis potentially identifies research gaps in the academic literature which researchers can find interesting to explore further.

Equivalents to the Sourcing Assignment document is not discussed in theory but documents sharing similarities with IKEA's *category business/action plans* are mentioned instead, e.g. Capgemini's (2013) *category plan*, O'Brien's (2015) *category source plan*, van Weele's (2014) *category sourcing plan* and Carlsson's (2015) *category project plans*. The only document that was identified in theory with some similarity to Sourcing Assignment was O'Brien's (2015) *strategic option definition document* which suggested to specify short-, mid- and long-term activities for strategic choices and is done prior to finalising a *category source plan* in the *category management process*. Likewise, once signed a Sourcing Assignment document is supposed to be input to IKEA's

category business/action plan processes. Furthermore, equivalents to the cross-organisational Sourcing Assignment process is not brought up in theory either which instead mention processes solely focused on categories, e.g. Capgemini's (2013) *category planning process*, O'Brien's (2015) *5i category management process* and Carlsson's (2015) *DMAIC category sourcing process*. What all these processes and documents have in common is that they primarily are targeted toward purchase categories working toward suppliers in the short-term horizon. The developed Sourcing Assignment process and document constructs goes beyond IKEA's category organisation by ensuring internal alignment with BAs/HFBs while the long-term outlook is preserved. This is an addition to existing theory which currently lack recognition of Sourcing Assignment equivalents internally in category management based organisations like IKEA.

8.3. Limitations

The master's thesis followed an inductive and qualitative research process, i.e. started with data collection to build theory on, instead of developing an extensive theoretical frame of reference for empirical testing. This was done due to scarcity of relevant academic literature in combination with the practical nature of IKEA's internal Sourcing Assignment. The author had no prior knowledge of the IKEA way of working. Therefore, understanding had to be built from scratch regarding what was meant with Sourcing Assignment and how it is used internally. Interviewees, IKEA's intranet and supervisors were consulted to increase understanding of IKEA's complex internal process landscape which Sourcing Assignment is part of. The authors understanding increased with the number of interviews and consequently questions asked initially were not always relevant to continue asking. Additional perspectives on Sourcing Assignment, not possible to understand prior to data collection, were added as the interview process progressed. Redundant questions were replaced with more relevant ones. Consequently, some gaps arose in the data collection structure which created some difficulties in the following cross-case analysis. Limitations are summarised below:

- Authors limited understanding of the IKEA way of working (IWOW) which were frequently referred to while discussing Sourcing Assignment with interviewees
- Original interview guide revised as the interview process progressed
- Lack of prior academic literature treating equivalents to Sourcing Assignment
- Potentially unidentified internal best practice elements due to not interviewing all BAs and categories
- Long time elapsed (around 1 year) since interviewees performed Sourcing Assignment related tasks why details were not always remembered
- Limited testing of the developed construct

8.4. Future research

The developed construct is adapted to IKEA's unique organisational structure and pre-conditions. An obvious suggestion for future research would be to test construct applicability in other category-based organisations to see which similarities and differences that exists. Additional case studies of internal phenomena like Sourcing Assignment in other organisations can help widen the theoretical body of knowledge. The limitations listed in *Section 8.3* suggests that a possible research idea is to extend the master's thesis scope in a new study by adding more cases

or analyse a potential implementation of the developed construct within IKEA. Based on the master's thesis findings three research questions are proposed for future research:

- How should Sourcing Assignment equivalents be positioned in academic literature?
- What differences and similarities exist between terminology like IKEA's *Sourcing Assignment* and *category business/action plans*, Capgemini's (2013) *category plan*, O'Brien's (2015) *category source plan*, van Weele's (2014) *category sourcing plan* etc.?
- Would the two-level Sourcing Assignment framework be applicable to introduce in other organisations working with category management in a purchasing context?

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A. Appendix 1: Case descriptions

This chapter primarily aims to outline the as-is situation in dialogue with categories, i.e. answer RQ1. It contains the 6 detailed case descriptions and should preferably be read prior to the cross-case analysis in Chapter 5. The business areas that have been interviewed are BA LWR, BA B&B, BA K&D, BA Lighting, BA Textiles and BA OSOF. The categories that have been interviewed are Category 1, Category 11, Category 14, Category 15, Category 16, Category 20, Category 22, Category 25 and Category 27. Cases start by presenting the BA viewpoint and category comments are added separately in the end of each case. The number of categories connected to the BAs via Sourcing Assignments differ a bit between the cases. Note that for example Category 1 and Category 22 work closely with multiple BAs, and the category comments have been placed in connection to the BA which has most volume allocated to it from category perspective. Therefore, some case descriptions are longer than others. The interview guide in Appendix 4 could be read prior to the case descriptions to get an idea of the questions asked.

Case 1: BA LWR, Category 14 and Category 22

Case 1 focuses on highlighting how BA LWR has decided to work with Sourcing Assignments, i.e. both the process and documents. Besides the BA/HFB perspective, category comments on Sourcing Assignment from Category 14 and Category 22 are presented. Category 1’s comments are placed in connection to BA B&B in Case 2 but are still relevant for the case. See Figure A.1 for an overview of Case 1.

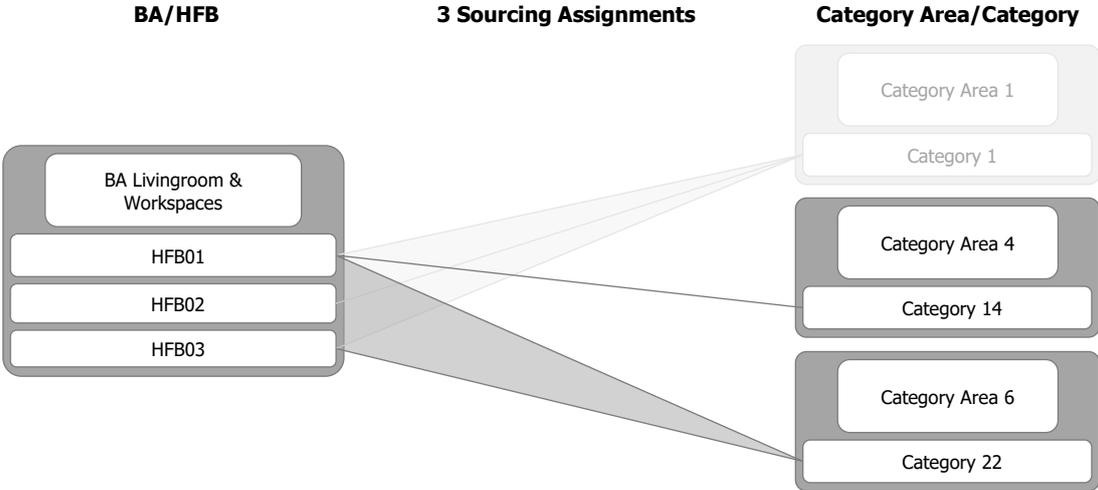


Figure A.1: Overview of Case 1 that interviews cover.

1. Sourcing Assignment case context

BA LWR has relations with 22 different categories and the aggregate BA LWR notified purchase value in FY16 amount to around EUR X billion. 5 categories, which correspond to 23% of the relations, exceed 5% share within BA LWR and account for 82% of total notified purchase value in BA LWR. It is almost a perfect 80/20 Pareto proportion from BA perspective. On the other hand, 16 categories exceed 5% share from a category perspective. In other words, the 16 categories, corresponding to 73% of the relations, allocate major internal business shares to BA LWR, both from a percentage and value point of view, while 91% of BA LWR’s notified purchase is made with only 7 categories. The other 15 categories account for less than 10% in BA LWR.

Category 9, Category 12 and Category 14 work almost exclusively with BA LWR within IKEA. Looking strictly at the 5% share as no-go criterion in BA LWR yield 16 different categories that Sourcing Assignment should be done with. BA LWR currently has Sourcing Assignments in place with 12 of those categories. However, since some categories are clustered within Sourcing Assignments the number of documents created is around 6. Even though some categories are well below the 5% share in BA LWR they are included due to the significant internal power-dependency from category perspective (e.g. Category 5). Also, since smaller categories like Category 3 share the same agenda with more influential categories like Category 7 they are included in one of BA LWR's clusters. The proposed no-go criterion of 5% mutual share either way is followed quite strictly in BA LWR. However, other factors play an important role as well such as shared agendas across categories and category areas. See *Table A.1* and *Figure 1.3* for an overview of BA LWR's category relations.

Table A.1: Overview of BA LWR's relations with around 22 categories and Sourcing Assignments.

BA Livingroom & Workspaces				
Category	Value* (t€)	Category in BA**	BA in category***	Sourcing Assignment?
Category 1		34,8%	37,1%	■
Category 9		26,7%	97,3%	■
Category 2		8,1%	23,8%	■
Category 22		6,5%	24,2%	■
Category 12		5,6%	89,4%	■
Category 14		4,8%	88,2%	■
Category 7		4,1%	18,9%	■
Category 6		1,8%	30,8%	■
Category 10		1,4%	8,7%	□
Category 11		1,4%	5,3%	□
Category 3		0,9%	5,4%	■
Category 27		0,7%	3,6%	□
Category 24		0,7%	28,6%	□
Category 21		0,7%	10,4%	□
Category 25		0,6%	7,0%	■
Category 4		0,4%	18,3%	■
Category 5		0,3%	9,2%	■
Category 18		0,3%	3,7%	□
Category 15		0,1%	1,0%	□
Category 23		0,0%	0,3%	□
Category 13		0,0%	0,1%	□
Category 28		0,0%	0,1%	□
		100,0%		
* Colour coded notified purchase value in FY16 with scale going from 0% (white) to 100% (black), i.e. black is total value				
** Category % share in BA (green cell means over 5%)				
*** BA % share in category (green cell means over 5%)				

2. Sourcing Assignment process⁵² (BA LWR's current way of working)

There is not really a process in place in BA LWR. In spring 2016, between February and April, 4 separate whole day meetings were arranged by clustering together categories. A very limited number of follow-ups were made in late autumn and winter 2016. However, categories did not respond back by themselves in the autumn session. Instead BA LWR had to drag/pull out the information and had to push/force in the meetings with categories. From BA LWR's perspective it was ad hoc, unplanned and unprepared from categories side. For this year, the autumn session

⁵² From BA LWR's perspective toward categories based on interview with the SDM (Interview 2).

is yet undecided but categories are expected to take charge. It remains to see whether categories decide to cluster before inviting or not, which mean it could be 12 different meetings in autumn.

This year, 6 clustered meetings lasting for 3 hours each will be arranged in spring. Material from last year’s 4 whole day meetings serve as basis. Meetings are held collectively with each cluster, meaning that representatives from all clustered categories as well as BA LWR’s three HFBs will be present in the meeting room simultaneously. Each of the three HFBs share information, mostly high-level generic and not category specific, for an hour to make meetings more efficient. For example, HFBs tell categories the Range Plan, growth agenda, materials to be used and when they are introduced, and long-term strategy. The SDM point out that BA LWR expected categories to share their APL, BPL, sourcing agenda, goals on innovations, capacity constraints, product adaptations etc. A mutual give and take exchange occurred at the first meeting in 2016. Interestingly, this year categories do not have a dedicated part of the spring meeting agenda anymore, thus only BA LWR will present in a one-way communication. Initially in 2016, the LTP and goals on stock was shared with categories but this year that information will be shared separately and therefore excluded from Sourcing Assignment meetings. The SDM mean that it is unnecessary to include as it works well to hand over on its own. Meetings relevant for Sourcing Assignment occur frequently throughout the year and with some categories there is a daily contact. The SDM claim that the need for formal Sourcing Assignment meetings are lower with those categories, but that it is still valuable to take a seat and conclude as it cannot be done in a brief corridor discussion.

BA LWR’s clustering approach concern both how Sourcing Assignment meetings are held and how categories are treated in the documents, see *Table A.2*. For instance, categories part of Category Area 2 is clustered in one meeting and a collective document. However, in 2016 three categories, namely Category 9, Category 12 and Category 14 were met in three separate meetings but still merged into one document. This year three separate documents will be made instead. It was a learning for BA LWR previous year that the categories require individual attention as all allocate significant internal shares, from category perspective, to BA LWR (97,3%; 89,4% and 88,2%).

Table A.2: Overview of BA LWR’s clustering approach for meetings and documents in 2017.

Meeting	Category area	Category	Sourcing Assignments
Meeting 1	Category Area 2 Category Area 2 Category Area 2 Category Area 2 Category Area 2	Category 3 Category 4 Category 5 Category 6 Category 7	1 collective
Meeting 2	Category Area 1 Category Area 1 Category Area 6	Category 1 Category 2 Category 25	1 collective
Meeting 3	Category Area 3	Category 9	1 separate
Meeting 4	Category Area 3	Category 12	1 separate
Meeting 5	Category Area 4	Category 14	1 separate
Meeting 6	Category Area 6	Category 22	1 separate

As a first step, when initiating the Sourcing Assignment process in 2016, BA LWR decided to cluster categories. It was simply deemed unfeasible to meet all relevant categories in 1:1 and face-

to-face dialogues. The clustering approach prevented that the same information sharing was repeated multiple times. As part of the Sourcing Assignment starter package (status quo), BA LWR received the document between BA Lighting and Category 20, a relation characterised by very close cooperation. It did not reflect BA LWR's situation and it was early made clear that such extensive documents would not be created. For BA LWR, it was not crystal clear how to structure their Sourcing Assignment approach in the beginning.

“What the Sourcing Assignment starter package lacked was a working method around it. It consisted of two documents with no proven working method behind and how it is used in daily work. Examples started to fly here and there to structure it and it has started to become a patch work. There is a concept and some tools but the working method is missing. It was communicated that BA B&B was a trial, but it started to become a prolonged pilot. Still other BAs were pushed to go ahead without a successful pilot in place.” (Interview 2)

Having decided for a clustering approach, mandatory and optional employees to be present on meetings was determined as well as who does what. From BA LWR the Business Leader, EQR Manager, SCM, SM and SDM participate. Before the spring session the Business Leader shall prepare HFB performance update, BPL and Range Development while the EQR Manager prepare status on quality performance and focus areas per category, supplier and product family as well as shared solutions. When starting up Sourcing Assignment meetings the supply chain employees in BA LWR explained questions like:

- Why are we here? Why are we doing it?
- What are we supposed to conclude on?
- What are the highlights of the meeting?

From categories, the CAM and CM are invited. In most cases, neither SDs from BA LWR nor CSSs from categories have been invited. Too many people in the same meeting room was considered inefficient. However, some input and feedback was gathered from SDs prior to meetings, thus they are involved in the preparatory work. To prepare for meetings the status quo served as foundation or guiding star to formulate meeting agenda and document template. It was not strictly followed, e.g. Range Manager and BA Manager were dropped from the suggested meeting attendees. Another preparatory step was to consult with Range Management to define what content to share. In BA LWR the SCM is accountable, as the face of the process, while the SDM is responsible, as the one handling the process. The SDM is calling for meetings, preparing agendas, briefing people, ensuring quality of notes, sending information to stakeholders etc. In spring 2017, the SCM will prepare a follow-up of last year's Sourcing Assignments.

“It was a surprise that originally, in the work method, SDMs were not even included as attendees in the meetings. Does it mean SDMs are not involved in the process? Everything ended up in the SDMs laps...SDMs have never been on the strategic alignment level but in practice they are running the show.” (Interview 2)

No internal third party reviewed the Sourcing Assignments, but instead it was up to individuals working in the process and attending meetings to secure outcome quality. Basically, the main

output from the meetings, consequently becoming input for follow-ups, was well-structured meeting notes. These were supposed to be actionable and accompanied with assigned responsible person and time plan. BA LWR's SDM mean that follow-ups are about revising and validity-checking old actions and update if needed. However, in spring 2016 no compliance KPIs were defined to facilitate successive follow-ups. It is not perceived as problematic due to meetings notes being formulated as actionable topics, i.e. it becomes easy to see progress whether an action is taken or not.

BA LWR has not outlined a clear year cycle for Sourcing Assignments, only meetings booked in spring 2017 by the SDM. It has become a consequence of no time being allocated in the official IKEA year cycle, only suggested time periods to meet was communicated by the concept creators. The SDM feel that existing internal processes relevant for Sourcing Assignment are unsynchronised. For instance, the original idea to squeeze in the meetings between January BC and CC, a 2-week time span full of other activities especially for categories, was unreasonable. This year, BA LWR instead arrange meetings after both BC and CC. Even though the SDM booked meetings in December it was a struggle to find time slots when all, or at least majority of, clustered stakeholders were available. In fact, clustered meetings appear first in May, 6 months after initially being booked. It is around 20 weeks after BC and CC, in the middle of the category APL process and after the HFB APL process. BA LWR sign-off their APL around week 18 and afterwards Sourcing Assignment meetings will be held. The SDM mean it might be necessary to reconsider the scope/objective of Sourcing Assignments.

- When is it relevant to meet?
- What is supposed to be delivered with this year's meeting timing?
- What is it input for, and for whom?

The approach BA LWR took has tried to be shared with others as the SDM mean it is not always possible to find time to figure out an own way of working from scratch. All in all, BA LWR is content with the clustering solution and until further notice the Sourcing Assignment structure/process will be run as it is today. The SDM mean that if BAs are in the lead, as it is now, they will be proposing and running their structure. Also, the SDM mean that he often is resistant to changing BA LWR's outlined structure even though feedback is listened to. Concerning is that voices raised from categories were basically non-existent, and BA LWR therefore does not know how categories perceived their approach in relation to others.

“Someone might have worked out a better way of working but it has not been shared. It is difficult to adapt our process as we do not know what others are doing. We have been stealing from BA B&B and vice versa. Same goes with BA K&D and BA CED. Some coordination has occurred to try and work aligned but no one from the outside is looking into it and challenge how things are done. We got zero feedback from the categories. Was our way the way of working?” (Interview 2)

2.1. Summary table

The interview with BA LWR's SDM captured, either directly or indirectly, several good examples, potential problems and implications for desired way of working related to the Sourcing Assignment process and document as well as the cross-organisational interface, governance and

practicalities, and other related processes and documents. See Table A.3 for a summary compiled by the author.

Table A.3: Summary of comments regarding good examples, problems identified and desired way of working.

Good examples
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • Efficiency gains from BA perspective when clustering meetings and documents • Supply chain colleagues explained the Sourcing Assignment background when initiating meetings • Concept is a must, absolutely no question about it – initiative from top but discussion existed in bottom <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> <ul style="list-style-type: none"> ▪ Some categories below 5% internal share included in clustering approach – common agenda umbrella <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • 80% of content kept identical/universal across documents – nothing unique/new added (copy/paste) • Meeting note document that capture whole discussion – complement to condensed actions • Excel-checklist from status quo used as guiding star – helped specify points to cover
Potential problems identified
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • Compliance KPIs not defined for follow-ups – rely on topics being actionably formulated • SDMs have never worked on strategic level but in practice handle such long-term discussions • Time horizon sometimes tend to be operational rather than tactical/strategic – both short-term and long-term included • Potentially resistance to changing a way of working that has started to become established • SDs and CSSs not invited – people with potentially relevant knowledge/competence that also execute the agreed main conclusions are absent • Company-wide implementation without proven way of working in place (pilots not confirmed successful) • Risks becoming pure one way sharing meeting with clustering approach – difficult to establish tight 1:1 category specific discussions in such a forum • No dedicated part to categories on spring meeting agenda – when do categories get time? • Unclear whether categories approach back individually or clustered in autumn • Ad hoc, unplanned and unprepared from categories according to the SDM • Zero feedback from categories on BA LWR's approach – was it the desired way of working? <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> <ul style="list-style-type: none"> ▪ Trouble with internal information sharing across organisations – access to internal storage depositories ▪ Limited alignment/internal coordination across BAs – some attempts have occurred ▪ Categories never approached back voluntarily – BA LWR had to force autumn meetings to take place ▪ Limited information sharing from category – BA LWR had to drag out/pull desired information ▪ No information shared in a structured way to categories not included in clusters ▪ <u>Governance and practicalities:</u> <ul style="list-style-type: none"> ▪ No internal third-party reviews – up to individuals in the process ▪ No process owner nor process leader for lower level processes like BCP or Sourcing Assignment ▪ No clear year cycle with dedicated dates – must somehow find meeting time anyways ▪ Extremely good foresight required to secure stakeholders well in advance – even though SDM started booking meetings in December they appear in May ▪ Long time since concept creators gave any response on requested clarification/hints <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • Unclear what the document is input for and to whom • Status quo was too extensive to replicate for BA LWR – unfortunate it was distributed initially • Category input is only reflected in the main conclusions part – very uneven input proportion • Problematic to cluster documents – individual attention if significant internal power-dependency prevail <p>Processes and documents related to Sourcing Assignment:</p> <ul style="list-style-type: none"> • Unsynchronised processes/year cycles related to Sourcing Assignment • Questionable timing of Sourcing Assignment meetings related to other processes • BAs completely locked during end of year in BPL Focus Weeks • Category input for HFB APL process not coming timely and structured – some desired category actions only possible to proceed with in cooperation with BA – postponed until next FY instead • LTP is now handled separately – highly relevant information might be disregarded in discussions • Valuable input not on the paper in the right time – difficult to anchor some inputs kept in the head
Implications for desired way of working
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • Compliance KPIs not necessary for follow-ups – easy to see if action is taken or not • Keep number of meeting attendees on sufficient level – risk becoming inefficient otherwise • Could specify mandatory and optional meeting attendees • Postponement of Sourcing Assignment meetings after HFB APL sign-off as more specific actions known then – more substance in discussions • One common way of working for the building – especially for categories sake <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> <ul style="list-style-type: none"> ▪ Dedicated common internal Sourcing Assignment server/drive for entire organisation

- Starting point that it is impossible to meet with all categories above 5% – 1 hour not enough time
- Less need for Sourcing Assignment meetings when daily contact occurs – should still conclude formally
- *Governance and practicalities:*
 - SCM should be accountable and SDM responsible
 - Someone responsible having a helicopter perspective – quality checking
 - Demands a yearly calendar – a devoted week to secure stakeholders

Sourcing Assignment document:

- Less text and more headings in documents
- Focus on actionable topics – what to direct focus on in the coming years
- A simple version and an advanced version
- Sourcing Assignment should have a bigger role than today
- Capture entire underlying discussion in separate complementary document

3. Sourcing Assignment document content exemplified

BA LWR view Sourcing Assignments as agreements on what to focus on in the coming years between HFB and category. Both short-term and long-term is included. Discussions often tend to focus on what do here and now, i.e. operational horizon, to be able to deliver in the future, i.e. tactical/strategic horizon. Another concern is that misaligned year cycles makes it hard for BA LWR to bring in all category input to POD teams working with HFB APLs.

“You cannot take all the inputs into your daily operations. You can have it in the back of your head but it is very difficult to anchor it in the current action plan because it is not on the paper [Sourcing Assignment] in the right time when needed.” (Interview 2)

The same template is used for all Sourcing Assignments and 80% of content is kept identical across documents. Generic information about the three HFBs is copied and pasted, both headings and text, from other internal reports. Nothing unique or new is added that cannot be found elsewhere in that section. Hyperlinks are used to redirect readers to extensive reports if the full picture is desired. It is done since content hyperlinked to often is revised more frequently than Sourcing Assignment, and different time horizons are covered. No appendixes exist. Documents mainly contain BA/HFB background information and hyperlinks. The internal shared folders are only accessible after IT give permission on individual employee level. The SDM raise an alarming concern regarding information sharing, namely that no common server exists where whole categories can get access to BA LWR’s content, and vice versa, in a smooth way.

20% of content is what differs between Sourcing Assignments, which is the essence of the documents. It is basically compiled meeting notes, made actionable to the extent possible, and category input is only reflected in this part. This part is much shorter than the one treating only BA perspective. Some red markings and comments are made in documents to clarify and specify responsibility, i.e. HFB or category and sometimes names of employees, and required actions, occasionally with due dates. BA LWR has tried different styles when taking meeting notes. For instance, with Category Area 3 extensive text was written down, while meeting with Category Area 1 summarising headings were used instead. Also, to capture the entire discussion extensive meeting notes were put in a 15-page document, but it has not been made easily available on the internal drives.

BA LWR’s Sourcing Assignment documents contain the main headings and sub-headings presented in *Table A.4*. See *Appendix 3* and *Table C.1* for exemplified formulations of agreed *main conclusions* quoted from documents.

Table A.4: Headings and sub-headings in BA LWR’s documents (IKEA, 2016E).

Introduction
<ul style="list-style-type: none"> • Purpose • Scope • General principles • Definitions and processes • Document storage location • Routines regarding revision and updates
Current performance
<ul style="list-style-type: none"> • General update • Purchase price development • Growth • Profitability • Quality • Availability • Logistics • Sustainability
HFB business plan
<ul style="list-style-type: none"> • Long-term objectives • Change drivers • Growth drivers
Business calendar FY17-FY20 (<i>hyperlink</i>)
Growth plan / Long-term demand plan FY16-FY21 (<i>hyperlink</i>)
Main conclusions
<ul style="list-style-type: none"> • Ways of working <ul style="list-style-type: none"> ▪ Shared solutions ▪ Matrix allocation ▪ Category allocation ▪ APL and resources ▪ Long-term demand plan ▪ Sustainability • Category XYZ <ul style="list-style-type: none"> ▪ Capacity ▪ Supplier landscape ▪ Total cost ▪ Standardisation ▪ Quality ▪ Innovation ▪ Sustainability

4. Category 14 comments⁵³ on way of working

Two Sourcing Assignments have been created, one with BA LWR (88,2%) and one with BA K&D (6,1%). The relation with BA B&B is just below 5% from category perspective, namely 4,4%. With BA LWR, one meeting was clustered in spring while a second meeting was done individually in autumn. In the clustered meeting, Category 14 sat down with Category 9, since a furniture is created together. That BA LWR decided to cluster the Sourcing Assignment document with a third category, Category 12, is not a problem for the CM. In fact, it can be interesting and highly relevant to know what Category 9 and Category 12 concluded. The CM understands that BA LWR’s clustering approach is efficient and convenient from BA perspective as they only need to talk once. However, the CM mean that BA LWR’s clustering approach does not necessarily save time, instead the opposite might be true. Categories must find an individual

⁵³ Based on interview material with the CM for Category 14 (Interview 13).

time outside the scheduled clustered Sourcing Assignment meeting, potentially making it inefficient instead. With BA K&D only one meeting took place in an individual dialogue. The CM does not mind whether Sourcing Assignment meetings are done either 1:1 or clustered with multiple categories. The only criterion is that the relevancy must exist irrespective of approach, but individual time is extremely important to have with BAs. In 2017, Sourcing Assignment meetings with BA LWR and BA K&D are scheduled around w.17.

“From my experience with BA LWR and BA K&D I think we are contributing quite equally in this meeting...I do not need to prepare heavily for this particular meeting because what I bring into it is everything I have in my mind, in my CC, in my BPL and the daily conversation with the organisation...the burden of the work...I feel it is a matter of a conversation that we anyhow have to take and make the content communicated...meetings flow pretty good as we are talking about something we all know pretty well, and I know that each of us have good understanding of the business so it is not very difficult...” (Interview 13)

Even though BA B&B is below 5% in both category and BA/HFB the CM want a to create a Sourcing Assignment starting from 2017. As it is now there is no documented Sourcing Assignment with BA B&B, rather an ongoing informal business dialogue. BA B&B's business start to become very visible in Category 14 as the BA's future direction mean that both will grow each other's businesses. The CM has communicated to BA B&B's SCM and sourcing team that a full version of a Sourcing Assignment might not be necessary, as it is much more serious and bring bigger commitment from both sides. However, time should be allocated so it is not totally ignored, for example in a light version, due to the expected increased mutual importance. The CM has observed that the Sourcing Assignment invitations from BAs can be very different, and clearly there is no established way of doing it, so the CM mean they can expect any type of approach. Potentially, a third approach can be established with BA B&B. However, it is not seen as too troublesome for Category 14. It is rather a time-constraint issue than a problem of differing ways of working if the category would start to work with multiple BAs. The CM mean it can be problematic for more widespread categories but not for smaller, less spread, categories.

“Maybe it will be different with BA B&B since we need to start creating the understanding. We might have a bit of a journey when doing the first Sourcing Assignment. For BA LWR and BA K&D we already know from our continuous dialogue on daily basis and I would say our connection is sufficient. This Sourcing Assignment work comes because we need to structure our work with a thread and make it more formally written, it is not creating something new...I do not hear any surprises in the meetings for the first time, it is like a double-confirm to use the time to understand deeper and re-digest the content...You will have important people sitting around from BA management so you will have the chance to find out all the angles which I think is a super-big advantage.” (Interview 13)

The CM really liked how BA K&D brief categories regarding their BPL after BC. However, it should be noted that this is *not* recognised as an official Sourcing Assignment meeting, rather a BPL sharing meeting. Basically, 7 to 8 categories sit in the same room when the BPL is presented. Two sections are arranged so it is possible to drop in and out whenever it suits CMs. Afterwards,

when categories have heard the BPL, they are invited to individual meetings with BA K&D to discuss more category specific matters. The individual session can be either short or long depending on how strong the category connection is with BPL direction, but at least it is done the same day as the BPL sharing session.

In 2016, the CSSs did not participate in Sourcing Assignment meetings. From category viewpoint, it is desired that the CAM, CM and CSS attend. At least CM is mandatory and should be responsible to brief CAM, CSS and other relevant people in the category team. The finalised Sourcing Assignment was shared with category management by the CM. The better the business is known the easier it will be to interpret the expressions and descriptions in Sourcing Assignments, and convert strategy to operations, according to the CM. For now, it is fine that the document is written on a level that is understandable to the CM as it is up to the CM to translate it into actions within the category. The CM is aware that dates must be booked well in advance to secure HFB management participation, and at least supply chain must attend. However, many categories, and CMs, are unaware of the fact they are expected to invite to the autumn session. For the CM, it was a reminder sent by BA LWR's SDM that made it clear. It seems like the recent clarifying adjustment of the Sourcing Assignment work method, that SCM invite in spring and CM in autumn, has not been clearly communicated unless BA reminded. The CM means that nobody would forget about councils or APLs as it is working methods well-integrated into the year cycle with clear governance. For the CM, even the BCP is much more concrete than Sourcing Assignments. Also, as it is now, the CM feel that the retail perspective is sometimes missed out when improvements shall be done in sourcing and supply chain. It is BA/HFB that is close to and steer retail and stores, where customers are, and better involvement is needed. It can e.g. be via the SCM that need to find retail connections or broaden knowledge and competence, and bring it into Sourcing Assignment meetings.

“Every Sourcing Assignment starts with where we are and it is not remembered what has been discussed...It is a snapshot of today every time...Sourcing Assignment as a tool or developed [finalised] document is not having any follow-up, or does not facilitate follow-ups in a good way. We have so many tools in our life already. For example, the action planning in categories demands, if you want to deliver good results every year ahead, very smart tools that enables follow-ups automatically...People fill in and write stuff but in which way will people re-read this...There is very much fluff [general statements], but it is on a 3-year horizon so how to make it quantifiable and possible to follow-up...What is the expectation of Sourcing Assignment? If we are feeling they are helping our work it should continue. Or do we find it does not help our work in some cases? I think we should have a (re)view and probably either remove or improve them. They will not become an operational tool as they are 3 years ahead, but still it cannot be too fluffy because then you do not feel the need. There is a very important balance to find out...”
(Interview 13)

The CM identify several problems connected to the HFB APL process and category APL process (SDP) having implications for Sourcing Assignment, see *Figure A.2* for a supporting illustration. First, the HFB APL process covers more long-term horizon, around 2-3 years ahead with more directional focus, while the category APL is extremely focused on exact details, i.e. commitments, deliverables and performance evaluation on supplier level, in next fiscal year. Second, the HFB

APL process is done much faster, in around a month according to the CM, while the category APL run for half a year. Third, the HFB APL process basically finish before the category APL has really started. Fourth, category input to BAs ideally should come just before the HFB APL process kick-off, not several months before. The CM mean that HFBs might desire to use the autumn tactical/strategic Sourcing Assignment as input, but potentially updates should be added 4 to 5 months after due to CC happening in-between as a milestone update. Sourcing Assignment and APL time plans are not clearly connected. Hence, a clarification is desired that, if intended as such, the autumn Sourcing Assignment will become input to the HFB APL process. As it is now it is not made clear.

For Category 14 it is crucial to ensure input is incorporated in the HFB APL as it is a matter whether it will be included this year or postponed to the year after. If a major movement is desired in the business initiated by the category it must be accounted for by BAs in their APL document. The CM mean that Sourcing Assignment should be done before the HFB APL finish, and during the HFB APL process BAs are extremely busy. Therefore, the CM desire that a Sourcing Assignment is done just prior to the HFB APL starts, if Sourcing Assignment is determined to be the documented dialogue for such input. With Sourcing Assignment meetings occurring in early May, the CM feel there is a too long gap from CC until w.17 and has taken an initiative to “catch the time” by arranging individual meetings with important BA stakeholders, e.g. Business Leaders, just before HFB APL kick-off. The CM mention that it is a bit of a Sourcing Assignment duplicate or overlap. However, it is needed due to the Sourcing Assignment timing, and hence a separate meeting is required that is done much earlier to double-check, re-confirm and strengthen 2 or 3 category messages once more. These meetings are called to by the CM if a need is felt to update HFB, but sometimes it can be fine to wait as previously made Sourcing Assignments should capture it anyways. It is not felt as sufficient to invite main stakeholders from BA/HFB to the January CC arranged by Category 14. Regarding category input integration into APLs the CM raise some questions and concerns:

- How good do we integrate the Sourcing Assignment feedback and input into APLs?
- Do we have a way to at least find out, bring clarity or check it?
- Sourcing Assignment is a list just ticked into the HFB APL and the category APL
- CM has no idea how category input has been integrated into the HFB APL
- Too demanding to ask BA/HFB how input was integrated – more transparent alignment desired with a follow-up and feedback session in every forthcoming Sourcing Assignment meeting

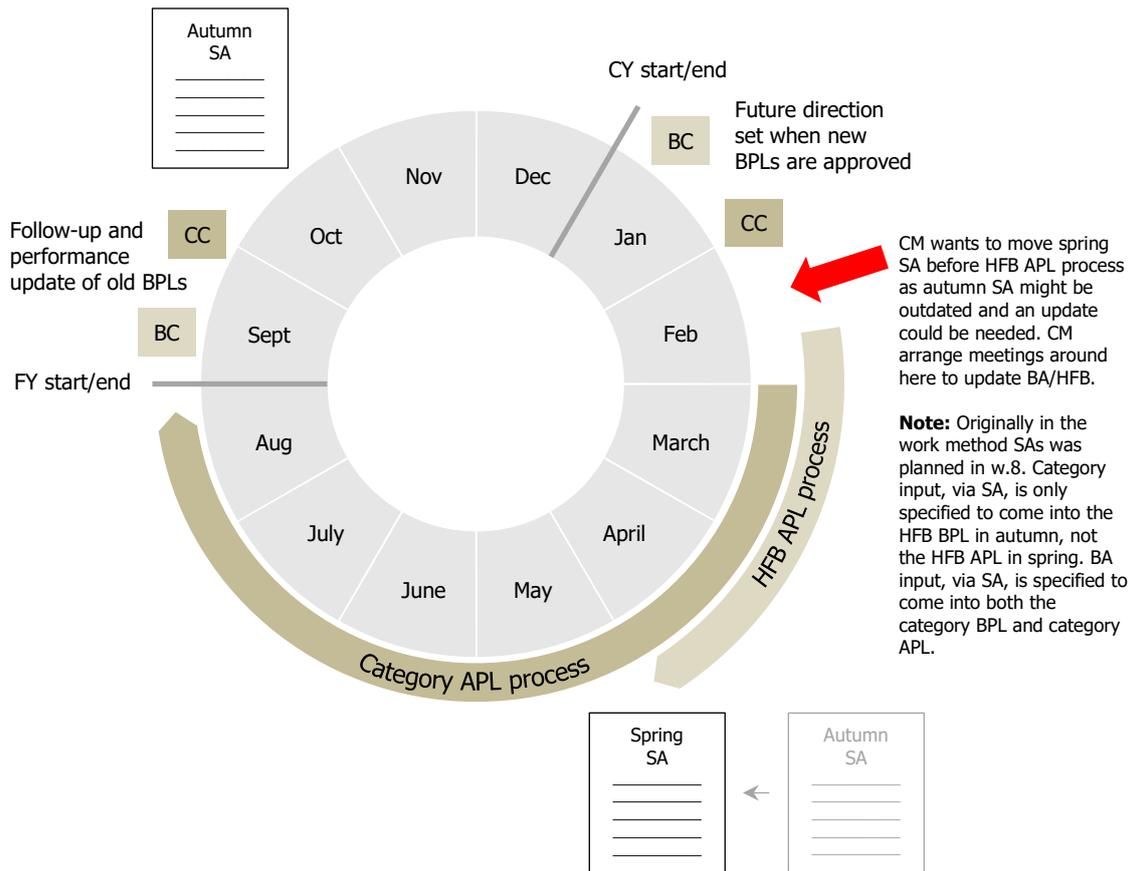


Figure A.2: Supporting illustration to some APL problems highlighted by the CM related to Sourcing Assignments (SA).

Seeing it the other way around, i.e. BAs giving BPL input to category APLs, is not as problematic since the category APL process run much longer. The timing is not that crucial and BA/HFB input, via a Sourcing Assignment, can more easily be captured even in later stages, also much due to the long-term focus of content. The CM mean that with BA LWR and BA K&D there exists a rolling-based communication, through many other meeting occasions, and therefore it is relatively unproblematic with category input to APLs and vice versa. For that reason, the CM is not pushing hard for Sourcing Assignments to take place earlier. However, it would be desired that Sourcing Assignment is input around w.14-15 to the category APL process, which start in w.10 and finish around w.33. In that way, the category APLs will already from the start know what direction to align toward, i.e. it creates future business alignment. Categories can start planning and make roadmaps, consequently creating much more readiness in next year's category APL. Another point raised by the CM is that it does not make sense to connect Sourcing Assignments in autumn with the September councils. The autumn councils primarily look back as an update of business results while the January councils look forward on future direction, i.e. better connected to Sourcing Assignment scope. If a new business direction is approved in January BC/CC it will first be reflected in Sourcing Assignments in w.17, when the HFB APL is already set. Therefore, the Sourcing Assignments made around May 2017 will build on an old direction from the autumn Sourcing Assignment, not the latest approved in January councils. Hence, there is a somewhat delayed process in place according to the CM.

4.1. Summary table

The interview with Category 14's CM captured, either directly or indirectly, several good examples, potential problems and implications for desired way of working related to the Sourcing Assignment process and document as well as the cross-organisational interface, governance and practicalities, and other related processes and documents. See *Table A.5* for a summary compiled by the author.

Table A.5: Summary of comments regarding good examples, problems identified and desired way of working.

Good examples
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • Quite equal contribution and relevancy in meetings according to CM • Document shared with rest of category management and not only stayed with CM <ul style="list-style-type: none"> ▪ <i>Cross-organisational interface:</i> <ul style="list-style-type: none"> ▪ Insight that Sourcing Assignment formalises current work practice – no surprises, nothing new <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • Clustered document with BA LWR easily give CM good overview of related categories (would also be the case if separate documents were easily accessible to CM) <p>Processes and documents related to Sourcing Assignment:</p> <ul style="list-style-type: none"> • BA K&D arranged clustered BPL sharing meetings and individual category meetings during a day (while BA LWR did clustered and individual meetings at different occasions due to time issues) – note that BPL sharing meetings are highly relevant for spring Sourcing Assignment but not officially labelled as being a Sourcing Assignment meeting
Potential problems identified
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • CM does not prepare before meetings – kept in mind and other processes/documents • Light-hearted attitude to meetings – perceived as easily accomplished • Clustering approach does not necessarily save time – individual time still wanted • No clear way to follow-up Sourcing Assignments <ul style="list-style-type: none"> ▪ <i>Cross-organisational interface:</i> <ul style="list-style-type: none"> ▪ Perceived as a conversation/communication that would happen regardless – continuous dialogue on daily basis with BA LWR and BA K&D sufficient – importance of Sourcing Assignment diminishes ▪ How to establish from scratch? (e.g. with BA B&B where comparatively less previous dialogue exist) ▪ Very different meeting invitations from BAs – CM can expect any type of invitation ▪ Potential time-constraint if working with more BAs (if BA B&B is added) ▪ <i>Governance and practicalities:</i> <ul style="list-style-type: none"> ▪ Year cycle is problematic – CM has no idea when and how BAs invite from year-to-year, left open ▪ Must book meeting dates early if whole HFB management to be invited ▪ CM unaware of responsibility to invite for autumn session until reminded by BA LWR – work method update/adjustment/addition not clearly communicated ▪ Sourcing Assignment does not feel concrete – e.g. BCP, APL and councils much clearer as they are working methods with governance and proper year-cycle integration ▪ If more employees in BA work with Sourcing Assignments the quality part must be ensured somehow (compare BA B&B's approach for 2017 including Category 14) ▪ Sourcing Assignment duplicate/overlap meetings occur – e.g. BPL briefing/sharing and APL alignment meetings – due to lack of clear year cycle? <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • Due to tactical/strategic horizon the content becomes fluffy – do not feel the need • CM feel a bit lack of relevancy of Sourcing Assignments – just another extra tool • Must have deep business knowledge to interpret expressions/descriptions in documents – ability to translate strategy into operation needed • Old discussions not remembered – frequently becomes snapshot of current performance <p>Processes and documents related to Sourcing Assignment:</p> <ul style="list-style-type: none"> • Category input to HFB APL via autumn Sourcing Assignment insufficient/outdated in spring due to CC happening as a milestone update in-between – APL alignment meetings arranged by CM with Business Leaders just before HFB APL kick-off – double-check/re-confirm to secure category messages are strengthened and heard again by BA • Does not make sense to connect autumn Sourcing Assignments with September councils (follow-up of old BPLs) – fits better related to January councils (approval of new future direction/BPLs) • Integration of Sourcing Assignment feedback/input into APLs – matter of this year or next year – totally different scope on HFB/category APLs
Implications for desired way of working
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • Differing BA approaches can work if relevancy exist – 1:1 with BA K&D versus clustered with BA LWR • BA/HFB close to and steer retail/stores – to solve supply issues retail should be involved better – bring retail aspect into discussions (either SCM broadens knowledge or extra meeting attendee)

- Individual meetings necessary with BA/HFB
 - Follow-up/feedback session in every Sourcing Assignment meeting – more transparent alignment
 - Going into different but still similar meetings several times is not efficient
 - A major advantage for CM to meet with BA management and get all different angles (broad meeting attendee list appreciated)
 - Cross-organisational interface:
 - Good with official dialogue twice a year – makes people get together – independent of willingness
 - Make Sourcing Assignment for growing businesses below 5% (e.g. with BA B&B) – do not totally ignore – not necessary for other business below 5%
 - Governance and practicalities:
 - Better year-cycle definition
- Sourcing Assignment document:**
- Review and either remove or improve
 - Figure out balance between defined long-term time horizon and lack of depth in content
 - Exclude short-term – keep 3-year time-horizon focus
 - Fine that document written on a higher level understandable for CM – up to CM to translate
 - Light version and full version
- Processes and documents related to Sourcing Assignment:**
- Potentially make Sourcing Assignment prior to HFB APL (and category APL)
 - Long-term actions extracted from document to create APL alignment with future direction – improved planning and roadmaps in category – better readiness in next year’s APL
 - Clarify whether autumn Sourcing Assignments are supposed to be input to the HFB APL process as well or only the HFB BPL process – unclear to CM

5. Category 22 comments⁵⁴ on way of working

Category 22 work quite evenly with four BAs, namely BA LWR (24,2%), BA K&D (23,1%), BA OSOF (19,6%) and BA B&B (17,5%). Sourcing Assignments has been established with the four mentioned BAs. However, Category 22 is working very broad toward other smaller BAs/HFBs, namely against 40 POD teams that focus on product range rather than materials, as almost everybody has some products connected to the category. The CM mean that even though a Sourcing Assignment might not exist for other relations there can be project descriptions how to work on important product ranges.

The document creation process was similar with all four BAs. Contact was initiated by BAs, either via SDMs or SCMs, which led the meetings. The CM and CSSs, which work directly with POD teams in BAs, were invited from the category. A pre-made draft template, slightly adapted based on the status quo, was presented by BAs. The proposals contained BAs clarification of expected deliverables and strategic goals on the common range between BA/HFB and category. Then, Category 22’s CM gave input to it during a discussion meeting to conclude on content to keep, add or remove. A limited number of follow-ups were made in autumn 2016. Basically, the document creation phase has been the only work related to Sourcing Assignments taking place so far, that the CM has been involved in, except for occasional follow-ups.

“What is not working today is that no good follow-up of agreements exists. We create it and then the business is continuously followed-up, but we have been bad in following-up Sourcing Assignment itself in that format. Neither for a SCM or for me as CM it is on top of the agenda...much is related to the Sourcing Assignment but how we follow it up in relation to the agreed goals could be significantly improved...the CSSs are more into it with the SDMs and I do not know how or if they follow-up [no follow-ups done between the CM and SCMs]...I think it should be requirement on follow-up and sign-off twice a year...it is fine if the SDM and CSS work with the document content as long as the CM and SCM sign.” (Interview 16)

⁵⁴ Based on interview material with the CM for Category 22 (Interview 16).

The CM has previously been SCM in BA K&D for several years and understands the BA perspective, and reasons it is unreasonable to do Sourcing Assignments with all categories. Some subtle differences were observed for the different BA approaches but no clear remarks could be distinguished by the CM. It is not seen as problematic to handle four BA approaches yet, partly explained by the relatively short time the implementation has been up and running. However, what differed was the detail level and how extensive the content was. For the CM, freedom and flexibility must exist as businesses can be at various stages and maturity levels with different characteristics, year cycles, lead-times, uncertainty etc. Documents has not reached the right level as of now, but since it is the first year it is done as a trial and error according to the CM. The CM mean it can probably be significantly improved but the question is how to take it to the next level.

The CM's experience from last year was that BA OSOF was most driving of the BAs in creating Sourcing Assignments and ensuring quality of content. Also, the CM perceives that it is mostly the SDMs that handle work rather than SCMs. All meetings with BA LWR, BA K&D, BA OSOF and BA B&B was arranged in 1:1 dialogues. The CM mean that they expect BA/HFB to take the lead when calling for meetings and creating the draft but that mutual exchange occurs regarding content, e.g. strategies on common critical ranges. In the governance of Sourcing Assignment, it basically states that BAs shall create and drive the development of the document. The CM mean that he does not know whether the responsibility should be solely on BAs even though it has become like that. Further, the work method update clarifying that CMs are supposed to invite for Sourcing Assignment autumn sessions has not reached the CM, which were unaware of it. Consequently, no plans have been made how to do autumn follow-up meetings and it is nothing the CM intend to do, as the view is that Category 22 do not lead the Sourcing Assignment. Another underlying and fundamental problem in Sourcing Assignment discussions is related to BA/HFB Range Plans. It is a matter of how IKEA as company currently work.

“The problem [related to Sourcing Assignments] is the same it has been the last 20 years at IKEA, that we do not know what the range will be in 3 years. Due to the uncertainty, there is a tendency that we become short-sighted even though the long-term ambition exists. When sitting with the SCM and SDM, they know what the BA develop year 1, eventually a bit year 2 but virtually none year 3 in their Range Plan. When the future range is uncertain, it is difficult to set clear goals year 3 and optimise the business from a sourcing perspective, so you optimise based on today's range and known range changes. We are too short-term at IKEA. There is always a balance between being as agile as possible toward the market, to adapt the range with a short-term view to meet customer needs, versus what I would like to know, namely what we will do the coming 10 years, and build optimal capacities accordingly. IKEA's Range Plans versus supplier and capacity plans are in fact too short-term...” (Interview 16)

Personally, the CM do not think it is that relevant to specify the Sourcing Assignment year cycle more because when a document has been created it becomes the basis. Therefore, it does not matter when follow-ups are done as the starting point is a revision of the old document. To e.g. state it shall be done w.20 in May is not needed according to the CM. However, a year cycle template might be good to have anyways, but for the CM the most important is that it becomes a living document continually kept in mind. Sourcing Assignment is revised properly once a year, and the CM questions what shall be done on the second follow-up meeting as not much happens

in half a year within IKEA’s existing business cycles. A lot of discussion has occurred about the meaning of Sourcing Assignments. The CM points out it cannot become a document created just for the sake of it that then is ticked-off from the to-do list.

“The initiative to create them [Sourcing Assignments] should not only come from BAs but categories must feel the same energy. It is like making BPLs, done once a year then put aside and back to business as usual. After a year, it is reviewed and performance is reflected upon. Maybe it should become a more living document...the most important is that they do not become desktop products put in a drawer but must continually be kept active so you associate to them...leadership, energy and recognition as an important document always on the table is necessary changes I think. Otherwise there is a risk that the agreement will die over time since business will keep running regardless of the document. However, then it can become lack of clarity in common requirements on each other that would be good to go through. It is not the document itself that is important but the business content agreed on in the meeting. The idea with Sourcing Assignment is just to create clarity...We might get a better performance in both short-term and long-term with a Sourcing Assignment. If documented within the framework, you agree and set requirements on each other with clear goals and time plans that you are responsible to deliver.” (Interview 16)

5.1. Summary table

The interview with Category 22’s CM captured, either directly or indirectly, several good examples, potential problems and implications for desired way of working related to the Sourcing Assignment process and document as well as the cross-organisational interface, governance and practicalities, and other related processes and documents. See Table A.6 for a summary compiled by the author.

Table A.6: Summary of comments regarding good examples, problems identified and desired way of working.

Good examples
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • Approaches from BAs perceived as rather similar – not problematic to handle different ways of working <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> <ul style="list-style-type: none"> ▪ CM like the concept, format and documentation across bigger stakeholders like BA/HFB and category ▪ 1:1 dialogue with BA LWR, BA K&D, BA OSOF and BA B&B
Potential problems identified
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • CM does not recall anything that worked particularly well in the process last year • CM feel it was done glancingly (looked at briefly) last year • Few follow-ups held – what to follow-up as not much happens in half a year? • Sourcing Assignment itself is not followed-up – handled via continuous business follow-up instead • CM and SCM do not prioritise Sourcing Assignments – the two parties supposed to sign-off do not actively commit to the agreed content as it is back to business as usual once created • SDMs drive content rather than SCM from BA/HFB – “lower-level employees” handle the process • CSSs and SDMs more knowledgeable of Sourcing Assignment – SDM work closer with CSS than CM <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> <ul style="list-style-type: none"> ▪ Potentially lack of energy and initiative felt to contribute from category side – enthusiasm and drive in BA/HFB not converted to categories as well ▪ Category expect BA to take lead when calling for meetings and preparing draft template – responsibility potentially left within BAs and not transferred to categories ▪ Internal power-dependency dilemma – insignificant categories from BA/HFB perspective can still allocate significant internal shares to BA/HFB from category perspective ▪ <u>Governance and practicalities:</u> <ul style="list-style-type: none"> ▪ CM unaware that categories are expected to invite for autumn sessions – consequently have not planned how to invite and seemingly the CM does not intend to do it <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • Tendency with short-term focus even though long-term ambitions exist

- Document not on the right level yet – currently in trial and error stage
- A lot of discussions has occurred regarding meaning of Sourcing Assignments – imply lack of clarity
- Put in the drawer until next year and forgotten during the rest of the year – risk it fades away with time

Processes and documents related to Sourcing Assignment:

- BA/HFB Range Plans are too short-term – A chronic underlying companywide problem at IKEA
- Agility when meeting customers versus static plans to optimise capacities in sourcing
- Foundation for Sourcing Assignment via the common ONE IKEA BPL often done on category area/BA level – content in related processes often done on aggregate level rather than category specific

Implications for desired way of working

Sourcing Assignment process:

- SDM and CSS can work with document content as long as CM and SCM sign it
- Not smart to cluster categories if strong common denominators are missing
- Starting point should be that it is not possible to do Sourcing Assignment with all categories
- A thorough document in place from the start eases year cycle and follow-up problems
 - Governance and practicalities:
 - Requirement on follow-up and sign-off twice a year
 - A year cycle template might be meaningful – however CM personally do not think it is necessary

Sourcing Assignment document:

- Do not write “Deliver X% service level on running range” or “Deliver a COPQ of -X%”
- Include bigger projects e.g. related to worst product families/suppliers regarding quality
- Include innovation projects (e.g. surface treatments to prevent rust or material changes)
- Do not narrow the framework more – probably keep it as it is
- Current performance/snapshot of today and operational level should be very small parts in documents
- Critical short-term problems necessary to follow-up can be included (e.g. in intervals 0-12 months or even 0-6 months) – meaningless to discuss long-term unless short-term problems are solved first – perhaps majority of document should treat short-term that year
- Document should become more living and continually associated to – not too static
- Cannot become a document created just for the sake of it and then ticked-off from the to-do list
- Leadership, energy and recognition as an important document always on the table – necessary changes
- If done right potentially better short-term and long-term performance – set clear requirements on each other with clear goals and time plans that you commit to deliver once signed

Case 2: BA B&B, Category 1 and Category 11

Case 2 focuses on highlighting how BA B&B has decided to work with Sourcing Assignments, i.e. both the process and documents. Besides the BA/HFB perspective, category comments on Sourcing Assignment from Category 1 and Category 11 are presented. Category 22’s comments are placed in connection to BA LWR in Case 1 but are still relevant for the case. See *Figure A.3* for an overview of Case 2.

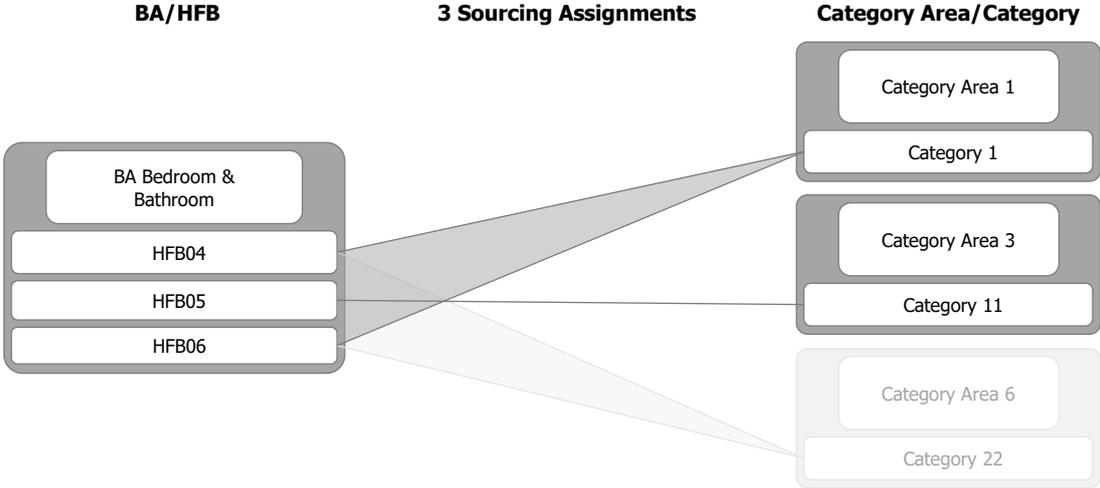


Figure A.3: Overview of Case 2 that interviews cover.

1. Sourcing Assignment case context

BA B&B has relations with 25 different categories and the aggregate BA B&B notified purchase value in FY16 amount to around EUR X billion. 4 categories, which correspond to 16 % of the relations, exceed 5% share within BA B&B and account for 80% of total notified purchase value in BA B&B. It is almost a perfect 80/20 Pareto proportion from a BA perspective. On the other hand, 18 categories exceed 5% share from a category perspective. In other words, the 18 categories corresponding to 72% of the relations allocate major internal business shares to BA B&B, both from a percentage and value point of view, while 90% of BA B&B’s notified purchase is made with only 8 categories. The other 17 categories account for less than 10% in BA B&B. Category 11 work almost exclusively with BA B&B within IKEA. Looking strictly at the 5% share as no-go criterion in BA B&B yield 18 different categories that Sourcing Assignments should be done with. BA B&B currently has Sourcing Assignments in place with 5 of those categories. The proposed no-go criterion of 5% is not followed in BA B&B as no consideration is made to most categories currently above 5% from a category perspective. See *Table A.7* and *Figure 1.3* for an overview of BA B&B’s category relations.

Table A.7: Overview of BA B&B's relations with around 25 categories and Sourcing Assignments.

BA Bedroom & Bathroom				
Category	Value* (t€)	Category in BA**	BA in category***	Sourcing Assignment?
Category 1		35,6%	42,4%	■
Category 11		20,7%	89,3%	■
Category 2		15,0%	48,9%	■
Category 7		8,6%	43,7%	■
Category 22		4,2%	17,5%	■
Category 6		2,5%	46,5%	□
Category 21		2,1%	37,5%	□
Category 32		1,5%	22,6%	□
Category 33		1,5%	21,0%	□
Category 24		1,4%	64,4%	□
Category 23		1,2%	9,1%	□
Category 27		1,2%	6,3%	□
Category 3		1,0%	6,4%	□
Category 25		0,8%	10,4%	□
Category 9		0,7%	2,7%	□
Category 15		0,5%	6,4%	□
Category 26		0,5%	31,2%	□
Category 4		0,4%	21,6%	□
Category 14		0,2%	4,4%	□
Category 5		0,2%	6,2%	□
Category 20		0,1%	0,9%	□
Category 10		0,1%	0,4%	□
Category 8		0,0%	0,4%	□
Category 29		0,0%	0,2%	□
Category 13		0,0%	0,0%	□
		100,0%		
* Colour coded notified purchase value in FY16 with scale going from 0% (white) to 100% (black), i.e. black is total value				
** Category % share in BA (green cell means over 5%)				
*** BA % share in category (green cell means over 5%)				

2. Sourcing Assignment process⁵⁵ (BA B&B's current way of working)

BA B&B decided to do Sourcing Assignments and meet face-to-face in two-way discussions specifically with the 5 biggest contributors, the top-5, that represent around 85% of BA value. The ambition before initiating Sourcing Assignments was to establish it with all categories above 5% share either way. However, it was practically impossible to set up. Thus, only 5 out of 18 categories that had a share above 5% in either direction was included. Even within the top-5 a prioritisation was established, e.g. most attention was directed to Category 1. Some communication and information sharing has occurred with other categories as well. A baseline information package was sent out to all categories in a one-way communication. It contained the entire BPL, APL and LTP which describe BA B&B's general overall ambition of high-level character. However, the information is not category specific. It also serves as material used to base discussions on with the 1:1 relations. BA B&B's logic in the beginning was to share generic content created in the BA with all categories but focus on establishing tight Sourcing Assignment dialogues with a few core categories. The internal power-dependency from category perspective was completely neglected in 2016. However, BA B&B expect categories to approach back if questions arise regarding the information sent out. Dialogues about missing information and

⁵⁵ From BA B&B's perspective toward categories based on interview with the SCM (Interview 11).

clarification have occurred with most categories outside the top-5 but not in formal Sourcing Assignment meetings. BA B&B viewed the approach as a trial to test out if it was a good way to work with Sourcing Assignments. Then, if considered successful scale it up to the rest of the categories. BA B&B experiences that very limited information has been shared back from the categories. *Figure A.4* capture the two engagement levels BA B&B had in 2016 with categories.

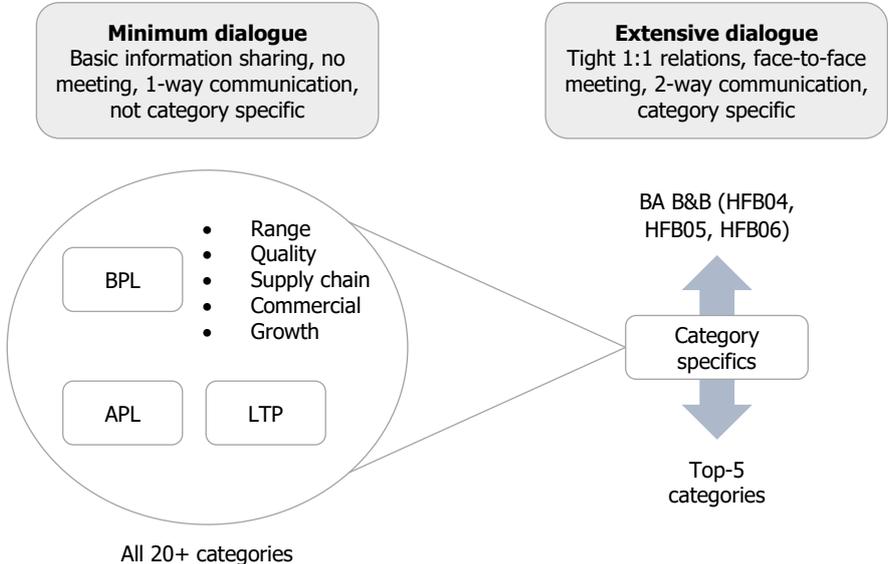


Figure A.4: BA B&B established very tight 1:1 and face-to-face Sourcing Assignments dialogues with the top-5 categories. For the rest, an information package with extensive business reports were sent over in their entirety.

Category input is expected to be gathered in the autumn session. The category input, e.g. about new materials, suppliers or capacities, then feeds into the HFB BPL processes along with extensive amount of other data collected about e.g. consumer insights and market analysis. BA B&B view the Sourcing Assignment autumn session as the time to collect category input. Category short-term input is more valuable for the HFB APL. Input is collected from all parts of the value chain, e.g. from customer to suppliers, and consolidated into the HFB BPL. For that reason, the category input captured via Sourcing Assignment in autumn do not sit separately, it is merged into all other BPL input. BA B&B did not do much Sourcing Assignment follow-up meetings in autumn 2016 with categories. Therefore, category input is collected outside formal Sourcing Assignment meetings. However, the follow-ups that took place concerned a status check, i.e. how things had moved on both sides from last meeting. BA B&B liked a recent initiative from Category Area 2 which arranged a material fair that took place around week 7 this year for the first time. It was good timing in the year calendar for BA B&B since it is just prior to the HFBs APL process begins.

“An interactive session is arranged with categories in connection to the fair. Some additional category input and ideas can be taken into consideration then as the team will reflect it in the HFB APL. The way it is explained can be very different when seeing it in front of you with the technical engineers working with it presenting.” (Interview 11)

BA B&B experienced a major limitation in the dialogues with categories, namely that the Range Plan, created by BA B&B, and the material agenda was too vague beyond 2 to 3 years' time frame. It became a problem since categories wanted to know the detailed range far ahead to plan capacities today. Otherwise the range might change when capacities are up and running and a point of no return are reached. It became a road block in the discussions as categories expected more detailed information. The conflict arises since product developers in the BA want to keep as much degree of freedom as possible for as long as possible for range and material changes, see *Figure A.5* for a schematic illustration of the problem. As it is today, the DPOP, i.e. the product offer development process, is formulated to give much freedom and openness for product developers in BA/HFB, consequently reflected in the Range Plan. For instance, a range can have a 40-40-20 split in three materials and categories want to know whether it will remain unchanged for the coming 5 years and build capacities accordingly. If a change is expected to a 20-20-60 split, some capacities need to be ramped down or built up in the category. For BA B&B, range and material choice dilemmas has been touched upon in every long-term Sourcing Assignment discussion with categories.

“Range talk in a BC or POD matrix is very different than how the message should come through when meeting supply chain in categories. The colleagues [in categories] are much more hands on and want to see very practical clear things even 8 years from now. We must balance that...Should we be so static that we need to specify 5 years in advance or should we build agility in the way products are developed to meet customer needs?” (Interview 11)

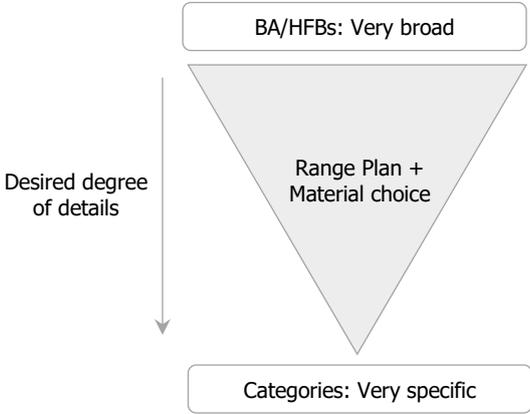


Figure A.5: Long-term Sourcing Assignment discussions hit a road block when the Range Plan was on the agenda.

BA B&B mean it is unfeasible to deliver very detailed category specific data on all occasions.

“All plans are written in English and numbers so it is not hieroglyphics that does not make sense to categories. I would love that categories try and connect the dots instead of waiting for us to serve not only the information for the coming 3-years but also the coming 10-years...The name Sourcing Assignment is interpreted as if we in the HFBs give categories an assignment. I have been very clear that it is an agreement between the two of us how to strengthen the supply chain part in IKEA together to reach the business goals.” (Interview 11)

In 2016 BA B&B handled Sourcing Assignments between two employees, namely the SCM and SDM. It was impossible for BA B&B to arrange 1:1 meetings with all categories as desired last year. To meet twice a year would require booking between 40 to 50 meeting slots with internal stakeholders in the already full IKEA year cycle, hence the top-5 prioritisation. However, BA B&B at least outlined a process and timing where Sourcing Assignments were included, see *Figure A.6*.

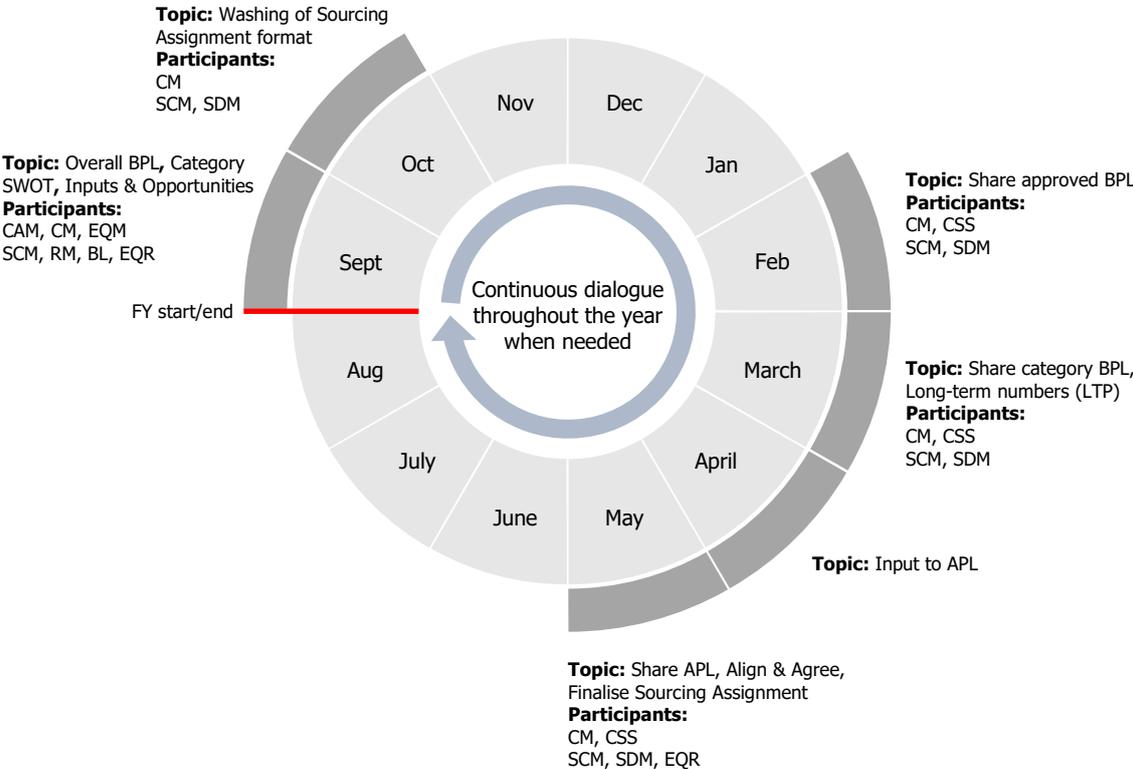


Figure A.6: BA B&B's process and timing for handling Sourcing Assignments.

BA B&B have realised an obvious flaw in how Sourcing Assignments are handled today. Currently BA B&B shall meet categories twice a year, so do BA LWR and BA K&D. For example, Category 1 work tightly with all three BAs and will have three separate meetings at different times each half-year. BA B&B has looked at how retail meet with IKEA to get some inspiration. It is done during three whole days in a week where HFBs meet retail countries grouped together into 9 clusters, i.e. POAs. For BA B&B it would make sense to team up with the other two home furnishing BAs, i.e. BA LWR and BA K&D, for BPL sharing days with categories, e.g. in March or April in 2018. As it is today each BA fight for the same time with the same category. Nevertheless, BA B&B has set a very ambitious goal for autumn session 2017, namely that Sourcing Assignments will be established through 1:1 dialogue with all relevant categories by treating them equally by December 2017. This will result in establishing around 20 Sourcing Assignments, and to make it happen BA B&B will block certain days in certain weeks during autumn to create Sourcing Assignment time slots. Categories will then be asked to sign up for a meeting time. Thus, BA B&B has made time in their calendars to facilitate for the categories sake in the autumn session. For the spring session 2017 BA B&B initiated the Sourcing Assignment planning in early October but still some meetings will be held in late May.

“We wanted to explore it [Sourcing Assignment] together and had a lot of energy to try and put a structure in place and figure out something that was new and not clearly defined...Once it is in the year calendar securing those [the internal stakeholders] and getting their commitment will make it a bit more simple and straightforward...Put it in the calendar, seal it up, it cannot be more complicated than that...This is a proposal we have really been struggling with and we have not cracked the code yet...Only then will Sourcing Assignment start to get integrated into the totality rather than sit as a PowerPoint or Excel-sheet sharing exercise.” (Interview 11)

What makes this year’s opposite approach possible is a restructuring in BA B&B’s supply chain function effective from March 2017, see Figure A.7. Fundamentally, the change is done to widen SDM, SM and DSM competence while closing the gap to the SCM. It creates prerequisites to handle Sourcing Assignments as a one-size-fits-all. The SCM will continue to handle the top-5 established in 2016. The rest is delegated to the SDM, SM and DSM which will start to work more horizontal in a cross-functional manner but keep end-to-end vertical responsibility within the HFBs. The SCM will remain accountable for Sourcing Assignments. The organisational change result in a spin-off benefit which allow handling basically all Sourcing Assignments with a tight dialogue. This year SDs will most likely also start to get involved in Sourcing Assignments to reduce the workload per employee. The restructuring will run as a 1-year test in BA B&B to evaluate. To the SCM’s knowledge there are no similar changes in the other BAs as of now.

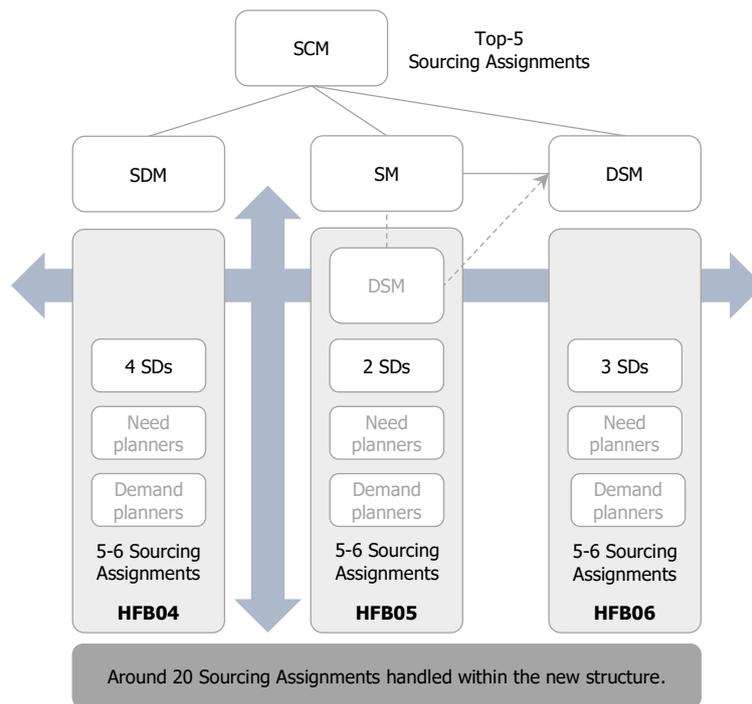


Figure A.7: BA B&B’s supply chain reorganisation enabling handling of more Sourcing Assignments as spin-off benefit.

2.1. Summary table

The interview with BA B&B’s SCM captured, either directly or indirectly, several good examples, potential problems and implications for desired way of working related to the Sourcing Assignment process and document as well as the cross-organisational interface, governance and

practicalities, and other related processes and documents. See Table A.8 for a summary compiled by the author.

Table A.8: Summary of comments regarding good examples, problems identified and desired way of working.

Good examples
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • BA B&B will establish Sourcing Assignments with all relevant 20+ categories – spin-off benefit of recent functional/organisational change running as a 1-year test – give precondition to create a one-size-fits-all and equal dialogue with all categories • SCM has a lot of belief in Sourcing Assignment and are open to adjust BA B&B’s approach – SCM has received comments from categories that their approach was a good way of working, even best in class <ul style="list-style-type: none"> ▪ <u>Governance and practicalities:</u> ▪ Time has been allocated in BA B&B’s yearly business calendar for categories sake – categories to book in themselves at Sourcing Assignment time slots in autumn – initiative bottom up from BA B&B as nothing has happened top down <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • Headings used in documents can be found elsewhere in other internal reports – a red thread as not created in isolation within Sourcing Assignments (availability tactic sub-headings from BPL used) <p>Processes and documents related to Sourcing Assignment:</p> <ul style="list-style-type: none"> • Material fair organised by Category Area 2 is a very good initiative according to SCM – timely category input directly from material technical/engineering staff into HFB APL – a natural and enthusiastic way to tighten relations with categories
Potential problems identified
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • Only SCM and SDM involved from BA B&B – not possible to create more in-depth Sourcing Assignments than top-5 • When basic information was shared, in a push fashion, almost all categories came back requesting clarification and missing information – might imply unspecific, unstructured or irrelevant information • Shared information is business specific (i.e. concern bedroom or bathroom) but it is not converted to be material or category specific • Not much follow-ups conducted <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> ▪ Categories did not share much (long-term) information back to BA B&B – mostly 1-way traffic with the exact same basic information shared to all categories – only feedback from categories in the face-to-face sessions ▪ With the top-5 approach, BA B&B cannot filter out/compile in-depth category specifics on a silver platter to the rest of the categories – extensive business reports sent over in its entirety ▪ Individually organised Sourcing Assignment meetings for BA LWR, BA B&B and BA K&D (the home furnishing BAs) with e.g. Category 1 – fighting for the same time with the same category ▪ BAs do not know what other BAs are doing (only via informal talks) while categories see how BAs work – nevertheless category feedback on different ways of working limited ▪ <u>Governance and practicalities:</u> ▪ Unfeasible to arrange two meetings with all categories in already fully-packed calendars – would correspond to around 40 to 50 extra meetings for two employees ▪ Must book meetings very well in advance to secure stakeholders – meetings sometimes appear more than 6 months after booking – too much time spent on practicalities ▪ A proper year cycle securing stakeholders for Sourcing Assignments is missing ▪ When to set aside time to prepare for Sourcing Assignment meetings? ▪ SCM shared BA B&B’s way of working with concept creators and asked for feedback but none received <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • Sourcing Assignment sometimes seen as something handed over to categories from BAs – a 50/50 equilibrium regarding contribution not in place as of now <p>Processes and documents related to Sourcing Assignment:</p> <ul style="list-style-type: none"> • Categories perceiving the Range Plan as unclear beyond 2 to 3 years’ time horizon is a major limitation – a wall/roadblock in long-term discussions • Product developers in BA desire broad Range Plan and material choice/ratios – opposite for categories • Spring session could become a BPL sharing meeting instead of mutual discussion – relevancy for and connection to Sourcing Assignment meetings not made clear to categories
Implications for desired way of working
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • First establish documents and dialogues with core categories – scale up to others if successful • Should form a way of working that fits most realities not only some special situations • Wait with involving more people (e.g. SDs) until way of working is clear – otherwise confusion arise • Take inspiration for how IKEA meet with retail – HFBs meet clustered retail countries over 3 days • Discuss category specifics in face-to-face meetings – e.g. quality discussion about humidity with Category 1 while fossil based materials with Category 11

<ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> ▪ 1:1 unique discussions with all categories are desired ▪ Continuous dialogue as foundation – unofficial Sourcing Assignment meetings happening all the time throughout the year – should not be a clean cut between spring/autumn sessions – keep meeting frequency of twice a year for official meetings ▪ <u>Governance and practicalities:</u> ▪ SCM can delegate responsibility by giving a mandate (e.g. to the SDM, SM and DSM in BA B&B) but keep accountability – a brief alignment meeting for sign-off – otherwise SCM risks becoming bottleneck ▪ A clear space in the business calendar is a must – once in the calendar more stakeholders will join e.g. Range Manager, EQR Manager, Commercial Manager, Business Leader etc. – until now absent from BA B&B's Sourcing Assignment meetings <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • Only lift in actionable topics in Sourcing Assignments – everything else redirected to in appendixes • Uncertain materials or techniques in the exploration phase with a lot belief in can be lifted in • Establish minimum Sourcing Assignment level capturing expectations to be fulfilled against each other – otherwise can be too broad and categories do their own race anyways • Exclude hygiene factors (e.g. IKEA's overall price reduction target) • Exclude activities for coming fiscal year – keep tactical/strategic time horizon i.e. beyond 2 years • 80% of content kept same (only minor updates) while 20% of new content regularly updated • Do not revise entire document while process is up and running – otherwise something is inconsistent and wrong, plans are not staying <p>Processes and documents related to Sourcing Assignment:</p> <ul style="list-style-type: none"> • E.g. BPL sharing days in spring 2018 – BA B&B could team up with BA LWR and BA K&D when meeting categories – would create better alignment across BAs • More internal fairs requested, e.g. one for each of the Category Areas over 2 or 3 days to bring up the material innovation agenda better – can then become input to other processes or Sourcing Assignment

3. Sourcing Assignment document content exemplified

Most content remain the same across documents, and from one meeting to another. Background information, e.g. entire business reports, is redirected to via hyperlinks on common internal IKEA drives put in an appendix. Thus, no information of executive summary character about BA B&B's BPL/APL is lifted into Sourcing Assignments at all. Actions are therefore the essence of documents. If updated with new additions or adjustments, it is specified in a revision history with date, short description and author. BA B&B has decided to only include actionable topics and main conclusions in documents. Therefore, Sourcing Assignment documents are only around 3 to 4 pages. The headings and sub-headings discussed in Sourcing Assignments are the same as the sub-tactics for the HFB BPL availability tactic. Availability is one out of six tactics in the BPL. It is done to keep a red thread and to prevent that headings are created in Sourcing Assignments not used elsewhere. The same structure is kept across all Sourcing Assignments. The main content is basically short concise bullet points and memory notes put down in short sentences. There is no specification of time plans or responsible employee, function and organisation.

BA B&B's Sourcing Assignment documents contain the main headings and sub-headings presented in *Table A.9*. See *Appendix 3* and *Table C.2* for exemplified formulations of agreed *actionable topics* quoted from documents.

Table A.9: Headings and sub-headings for actionable topics from BPL and APL in BA B&B's documents (IKEA, 2016E).

Appendixes (hyperlinks)
<ul style="list-style-type: none"> • LTP • BPL • APL • Range Plan • CC presentation • Goal sheet • Performance update • Business calendar • Capacity commitments

Main conclusions/actions

- BPL
 - Growth plan
 - Sourcing/category plan
 - Balance sales and supply
 - Shared solutions
 - Inventory management
 - Cost reductions
- APL

4. Category 1 comments⁵⁶ on way of working

Category 1 mainly work with BA B&B (42,4%), BA LWR (37,1%) and BA K&D (14,4%). Three Sourcing Assignments are in place today with the mentioned BAs. Category 1, together with Category 2, is part of Category Area 1. Both categories were discussed in one Sourcing Assignment meeting with BA LWR and BA B&B respectively, i.e. a clustering approach was applied from category perspective. Two separate documents were made with BA B&B but a collective with BA LWR. Category 1 feel that Sourcing Assignments are on different levels. Roughly the same content was discussed, e.g. range today and tomorrow and quantifiable LTPs, but the quality of data shifts a lot between BAs. The best approach was from BA B&B since a very tight dialogue was established and most time was spent together to create a proper foundation for Sourcing Assignments. Two meetings, a one-day meeting and a half-day meeting, were held with BA B&B to create the document. However, discussions were unbalanced regarding how much current performance versus future direction that was treated. It was a consequence of the Sourcing Assignment starter package template steering discussions. Meetings consisted of two-way discussions instead of presenting to each other which was perceived as the correct setup. Having a thorough document in place with BA B&B meant that Sourcing Assignment follow-ups and revisions could be done faster and less frequently. The CM is hesitant to whether Sourcing Assignments need an update every 6 month and mean that parts of the agreements are touched upon if not weekly every other week.

“To book a specific Sourcing Assignment meeting 2 times a year might be too much provided that the Sourcing Assignment document and discussion is kept in mind when meeting throughout the year in other constellations talking about the content. If an agreement was reached in the Sourcing Assignment and something new arises that differs in the ongoing discussions, it can imply that it is necessary to change and could consequently call for a Sourcing Assignment meeting building on last times discussion...A Sourcing Assignment should be written to be good enough for 1 year.” (Interview 14)

The much shorter Sourcing Assignment dialogue with BA K&D, in a one-hour meeting done in a haphazard fashion, did not live up to Category 1’s expectations. It felt a bit unplanned and that it was not necessary to have the meeting since content discussed is captured by the CM anyways. With BA LWR the Sourcing Assignment discussions was more of a one-way traffic toward the category compared to BA B&B. However, BA LWR had a broader meeting attendee formation than the other BAs with e.g. Business Leader knowing the commercial and market aspects being present.

⁵⁶ Based on interview material with the CM for Category 1 (Interview 14).

The CM thinks it is problematic that Sourcing Assignments contain too much history and too little future. A shift of focus is needed to align better with tactical and strategic time horizon. Discussions sometimes got stuck, e.g. when discussing humidity with BA B&B, on questions like:

- Who owns the problem?
- Who should try and solve it?

The customer perspective is missing out as starting point and the CM therefore desires it to be included better in Sourcing Assignments by answering questions like:

- What can the category organisation do to better meet the customer?
- What can the HFB organisation do to better meet the customer?
- How do we meet the customer today?
- How do we want to meet the customer tomorrow?
- Is there a difference?

Another pervading problem in Sourcing Assignment discussions was that the Range Plan from BAs/HFBs is too vague, intangible and incomplete in the long-term horizon. The Range Plan is a key input from BAs/HFBs but statements are not made category specific within the document. For example, BA B&B's Range Plan can simply state that more low-price is desired in the traditional bedroom segment. For Category 1 it is unclear what it means when purchasing buys and leads to difficulties when planning capacities. IKEA's growth agenda is targeted at capacity build-up but if Range Plans change in the longer-horizon when capacities already are built up it can be extremely expensive to fix or even impossible. Generally, Category 1's Sourcing Assignments try to stay beyond 12-18 months and up to 3-5 years' time horizon. However, since underlying documents acting as input to the Sourcing Assignment discussion are too vague in the tactical/strategic time frame, discussions frequently feel like empty words.

“Our Range Plans are too vague [related to capacity build-up in categories]...the preferred detail level covers too short time horizon and there is too much degree of freedom in interpreting it...for me the Range Plan is the biggest difficulty in Sourcing Assignments and to take the next step requires an improvement...it will take us very long as it should be reflected in the long-term planning [LTPs] which now basically is the range today scaled up to future forecasts. Nothing shows whether ranges will be phased out in favour of new ranges or if existing ranges will move from one category to another with realistic time plans connected to it.” (Interview 14)

Even though the actions agreed on in Sourcing Assignments were not specified with much detail, it was clear to the CM who was responsible to drive the different topics. The underlying discussions and details are kept in meeting attendees' minds and not written down on paper. For Category 1 the Sourcing Assignment is more of a supporting document or memo notes for the meeting attendees. The document is not written in a way so it is possible to substitute all people around the table or give the Sourcing Assignment to someone in the next step within the category. It must be briefed again, and currently that is how the CM does it.

The type of information shared from Category 1 to BAs/HFBs are of very different character in spring and autumn. The CM mean that category input in autumn is more relevant for Sourcing Assignment as it treats long-term possibilities and opportunities, e.g. new materials and

techniques, while spring input is related to short-term objectives, e.g. specific product and article number improvements. Known problems in the short-term expected to be solved shortly are excluded from Sourcing Assignments, unless a solution is not worked on, as they have no impact in the long-term. The APL processes should take care of the operational agenda, not Sourcing Assignment, according to the CM. Basically, Sourcing Assignments treat which future direction to navigate toward in a yet undecided time frame while APLs are formulated to optimise actions based on existing supply setup. However, actions in APLs can sometimes span beyond fiscal year basis, e.g. green field projects like building a new factory. Such actions can then be relevant for Sourcing Assignment as well.

“A Sourcing Assignment treating how to move something to something else becomes input to the APL [category APL created in the SDP] and, depending on the discussed time horizon, the Sourcing Assignment is the foundation which specific actions are connected to...It can be something than needs to be moved in 3 years, but which actions are required next fiscal year to reach the goal? Sourcing Assignment is overall while APL is detailed.” (Interview 14)

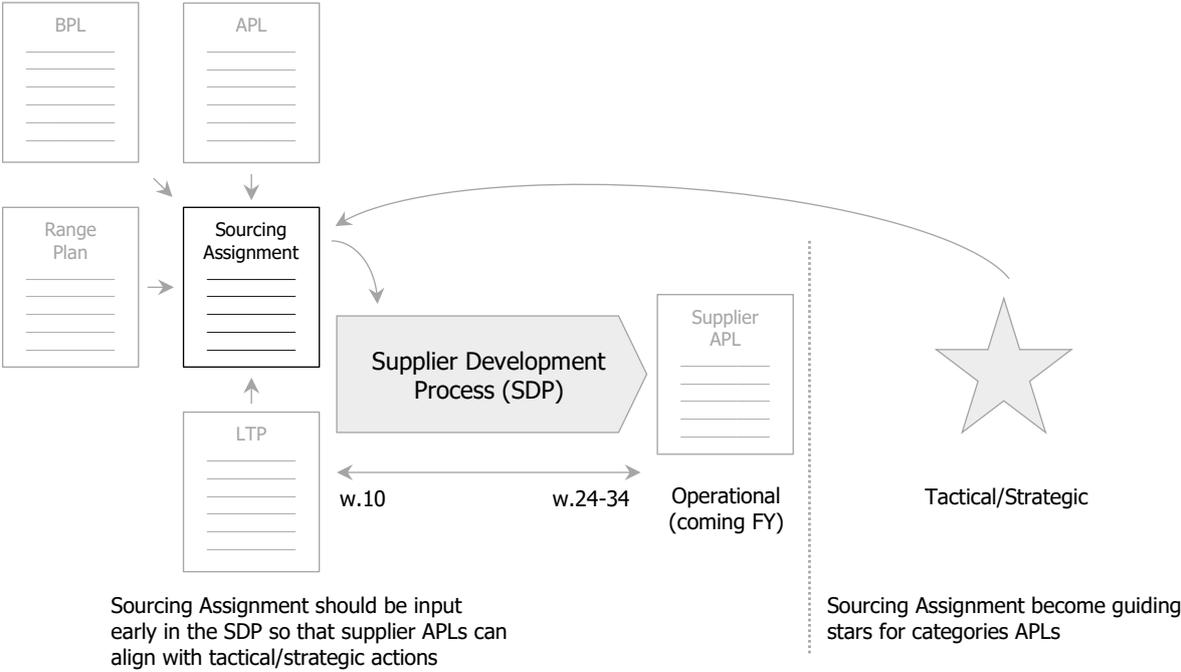


Figure A.8: Sourcing Assignment as guiding star for category supplier APLs. Several other internal documents are relevant too.

Sourcing Assignments are supposed to be input to the IKEA Offer step in the SDP, a process in turn resulting in supplier APLs. The APLs cover the coming fiscal year but need to be aligned with the direction in the years after as well. For the CM, a Sourcing Assignment should be input to the SDP relatively early to ensure APL alignment with what has been agreed on in the tactical/strategic horizon, see Figure A.8 above for an illustration. The CM means that ideally Sourcing Assignment should be input around w.13, i.e. late March or early April. When Sourcing Assignments have been established it might be sufficient to use the autumn version since usually not much change with agreed tactical/strategic actions in 6 months.

Another concern raised by the CM is that no representatives from Category Area 1 (Category 1 or Category 2) are present at the January BCs. At these BCs, the BAs/HFBs present their BPL to management that also become input to Sourcing Assignments. The only representative from the category organisation is the Purchasing Manager for IKEA Group. Part of Sourcing Assignment discussions are based on the BAs/HFBs presentation material from the BC. This means that the same presentation and content is briefed twice by BAs/HFBs, one time to Range & Supply management and one time to categories in Sourcing Assignment meetings (or BPL sharing meetings that some BAs have introduced).

“The BPL presentation has not been modified from being directed toward Range & Supply’s management in Business Council to individual categories. What does the BPL mean for certain categories? Must rethink who you are talking to...[An example is given from another context]...For example, the exact same range presentation is done to retail stores and suppliers and for me it cannot be like that as the starting point is completely different for these two target groups. Sometimes we do have such routines and it becomes a bit like that here as well... [with BPLs as input to Sourcing Assignment meetings]” (Interview 14)

4.1. Summary table

The interview with Category 1’s CM captured, either directly or indirectly, several good examples, potential problems and implications for desired way of working related to the Sourcing Assignment process and document as well as the cross-organisational interface, governance and practicalities, and other related processes and documents. See Table A.10 for a summary compiled by the author.

Table A.10: Summary of comments regarding good examples, problems identified and desired way of working.

Good examples
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • Extensive/thorough 2-way dialogue with BA B&B were very appreciated and rewarding • People with commercial/market insights is desired to have at meetings (as with BA LWR) <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • A properly done document as foundation is a must from the start (as with BA B&B) – makes follow-ups easier and less time-consuming – facilitates the yearly rolling process
Potential problems identified
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • Short meetings did not yield much added value (with BA K&D) – should not become that Sourcing Assignment meetings are just ticked-off • Starting point might be a bit wrong with a SCM and CM discussing since the customer perspective is sometimes lost/neglected • Sometimes unbalanced meeting agenda – BA/HFB versus category parts <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> ▪ Quality of data differs greatly between BAs <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • Actions not specified with much detail on paper – kept in meeting attendees’ minds • Document not written so employees absent from meetings or a third party can easily understand – must be briefed again personally by the CAM • Too much history and too little future – a consequence of layout in the Sourcing Assignment starter package template provided initially <p>Processes and documents related to Sourcing Assignment:</p> <ul style="list-style-type: none"> • Range Plan is too vague and incomplete from sourcing perspective, consequently the LTP too – tactical/strategic horizon feels intangible – discussion become empty words • Defined time horizon for Sourcing Assignment does not go hand in hand with other relevant internal IKEA processes/documents – might need to reformulate them – CM means that Sourcing Assignment could/should trigger a change • HFB BPL not made category specific – same presentation material given to Range & Supply management as to the individual category

<ul style="list-style-type: none"> • No representative from category or category area at BAs/HFBs BPL presentation in January BC – seen first when briefed a second time at the Sourcing Assignment meeting (or other separate meeting) • Bad timing of Sourcing Assignment input to the category APL process (SDP)
Implications for desired way of working
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • Establish a working process and basic setup before scaling up – risks becoming a paper product otherwise • Do some categories at a time (like BA B&B's top-5) to establish a good document foundation – restart might be necessary this year for some category and BA/HFB relations – start with strong linkages having significant impact for IKEA's totality • Include the customer perspective better – customer as starting point • Keep number of people in meetings limited when possible • Should not always specify the exact participating roles – bring in correct knowledge and competence instead – prevent standard setups leading to people questioning their attendance <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> <ul style="list-style-type: none"> ▪ Prevent pure 1-way information sharing – discussion/brainstorming built into agenda layout ▪ 50/50 balanced sharing meetings both in spring and autumn ▪ Do not make mandatory for insignificant linkages unless specific challenge exists ▪ <u>Governance and practicalities:</u> <ul style="list-style-type: none"> ▪ Do not give too strict guidelines – templates stop people thinking – instead the purpose must be very clear but how to reach it can differ ▪ Allocate either a week or longer period (e.g. 2 months) to create Sourcing Assignments ▪ Let meeting attendees ensure quality – not an internal third party ▪ From time to time someone can look at good examples, build on them and share – individuals can learn from it and improve their way of working with the process <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • All Sourcing Assignments must not have the same importance each year and documents should stay relatively unchanged with minor updates by time • Specify responsible person, time plan, quantifiable numbers etc. when possible • Focus 90% on future and 10% on current performance • Sourcing Assignment should be good enough to cover 1 year – no need to update every 6 months • Keep the operational agenda away from Sourcing Assignments – let the APL processes handle it • Cluster Category Area 1 in meetings but do separate documents • Actions in APLs happening beyond coming fiscal year can still be relevant for Sourcing Assignment <p>Processes and documents related to Sourcing Assignment:</p> <ul style="list-style-type: none"> • LTP updated more frequently (e.g. 3 times/year), also with dedicated dates

5. Category 11 comments⁵⁷ on way of working

Category 11 allocate 89,3% of its volume to BA B&B but also work with BA LWR (5,3%) and BA CHD (5,1%). Only one Sourcing Assignment was done with BA B&B in 2016 even though 3 relations are above 5% from category perspective. A Sourcing Assignment is viewed as a document that can be given by HFBs to categories, or vice versa. It states expectations on the category from HFBs based on all business parameters and confirms that the category work with the right things, e.g. prevent that categories take improvement initiatives on soon-to-be outdated ranges. For Category 11, the systems perspective is crucial to consider, i.e. a product might be insignificant standalone but essential to incorporate into other products to move business forward. Therefore, the no-go criterion is not strictly a percentage. The CM mean that Sourcing Assignments is a work method that has been decided to be implemented companywide at IKEA but that it is nothing that is followed strictly as there exists a continuous dialogue throughout the year. The tendency is that the Sourcing Assignment looked at the shorter time perspective but tactical and strategic time horizon is covered.

“If seeing IKEA from the outside it can seem like categories and HFBs are two separate organisms that need to communicate. I talk to the SCM and SDM, if not daily, at least a couple of times a week. We are not two separate companies. We share the same business interests.

⁵⁷ Based on interview material with the CM for Category 11 (Interview 4).

Sourcing Assignment is not a big thing, it just formalises the current way of working. If talking to a new SCM, SDM or CM they would probably say it is the way to go. The long-time employees like me mean that we can make it work anyways. When the long-time employees quit, it will be necessary with a structure for it. It is absolutely necessary to have.” (Interview 4)

In 2016 BA B&B, via the SCM and SDM, approached the CM with a pre-made template with suggested actions to agree on, basically a couple of bullet points. The view from Category 11 is that the HFB should take the lead and is sort of a Sourcing Assignment process owner. Category 11 waits for HFBs to make their move first and then respond to that. Of course, a continuous dialogue exists, so Category 11 does not wait with improving the ongoing business until HFBs approach. Also, improvement suggestions are channelled and communicated with HFBs outside Sourcing Assignments all the time. The CM added a few bullet points but all in all the proposed document was kept intact. However, the main conclusions were not clear enough from category viewpoint. It was not specified who was responsible for actions or when due but from category perspective it is not that critical as it is specified later anyways in the category APL and when concrete projects are created in the category. The CM’s view is that he owns the Sourcing Assignment once signed and that it is up to him to set up an optimal way of working with the agreed topics. For the category, Sourcing Assignment input requiring HFBs signature can concern e.g. problems with capacity constraints requiring new investments or efficiency gains that keep or improve product functionality toward customers. The CM mean that the number of involved people should be as few as possible and that the ones working in the process knows what is needed. As it is now information is mostly kept in involved employees’ minds and nobody outside the meeting reviewed the finalised Sourcing Assignment.

Also, there was no internal communication within the category that the Sourcing Assignment was finalised. The actions specified in the Sourcing Assignment indirectly became input personally via the CM, not the document, when Category 11 did their APL in accordance with BDMs, purchasing teams, CSSs etc. As it turned out most bullet points specified in the Sourcing Assignment were met according to plan. If not, it would probably have been communicated according to the CM. Basically, the input and output from the meeting was the document itself. The bullet points are included in the category APL and BPL but it is not a result of Sourcing Assignment as it would have been included anyways. One Sourcing Assignment meeting were held in-between the BC and CC early in 2016. It was arranged in a rather ad hoc way and it was not really time for it at that time as the CM was busy preparing for CC. Therefore, the Sourcing Assignment had to be done partly in the head. No KPIs were included at all and no follow-up meeting took place. At the time of the interview no Sourcing Assignment meeting for 2017 was scheduled with BA B&B either, meaning that only a single document creation meeting had taken place in over a year’s time. The CM mentioned that KPIs can serve as reactive triggers, i.e. if problems or deviations occur, or proactive triggers, i.e. steer direction toward the 3-year Range Plan or new materials, for making the Sourcing Assignment. If quantifiable KPIs cannot be defined, at least current position and wished position can be specified.

5.1. Summary table

The interview with Category 11’s CM captured, either directly or indirectly, several good examples, potential problems and implications for desired way of working related to the Sourcing

Assignment process and document as well as the cross-organisational interface, governance and practicalities, and other related processes and documents. See *Table A.11* for a summary compiled by the author.

Table A.11: Summary of comments regarding good examples, problems identified and desired way of working.

Good examples
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> <ul style="list-style-type: none"> ▪ Information sharing works well via internal shared folders and mail (between BA/HFB and category) ▪ Meeting with BA B&B did not result in any surprises on what to work with – well-aligned as it is <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • CM think Sourcing Assignment (with BA B&B) has a quite good format
Potential problems identified
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • Sourcing Assignment work method is not followed strictly – not seen as a big thing, just a way to formalise current way of working • Long-time employees reason they can make it work anyways – rely on personal/tacit knowledge • No follow-up meetings arranged – second meeting will occur more than a year after the first • Category wait for HFB lead and do not take own initiative – can be problematic in autumn session <ul style="list-style-type: none"> ▪ <u>Governance and practicalities:</u> <ul style="list-style-type: none"> ▪ Nobody reviewed Sourcing Assignment documents – no internal communication within category that document was finalised either – document stayed with CM ▪ CM mean that if deviations had occurred it would probably have been communicated back to Sourcing Assignment – implies no structured planning for how to act on deviations from agreement ▪ A typical IKEA disease with sloppy documentation and follow-ups <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • Nothing states who is doing what within documents – who takes responsibility for agreed actions? • Sourcing Assignments are not extremely clear to the CM – imply unclear purpose and/or unspecific formulations? • KPIs not included at all • Tendency that Sourcing Assignment is almost down to operational level but covers tactical/strategic • Information mainly kept in involved employees’ minds instead of explicitly written down <p>Processes and documents related to Sourcing Assignment:</p> <ul style="list-style-type: none"> • Relevant information not always absorbed in Sourcing Assignment meetings/documents as communicated/channelled elsewhere – separate ongoing dialogue frequently referred to • Recent organisational change – difficult to implement something unsynchronised (Sourcing Assignment) into something else that is unsynchronised (BA/HFB versus category year cycles) unless done ad hoc • Meeting arranged ad hoc between January BC and CC in 2016 – CM must focus on CC and do not really have time at that period and consequently it was mostly done in the head prior to meeting – potentially lack of preparation before Sourcing Assignment
Implications for desired way of working
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • Keep number of involved people to a minimum – the ones in the process knows what is needed (i.e. CM, SDM and SCM in the case of Category 11’s meeting) <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> <ul style="list-style-type: none"> ▪ Not strictly look at % as no-go criterion to include/exclude categories – systems perspective ▪ Sourcing Assignment can be more important with smaller stakeholders – less important for Category 11 and BA B&B since daily contact occur ▪ <u>Governance and practicalities:</u> <ul style="list-style-type: none"> ▪ HFB is sort of a process owner for Sourcing Assignments according to CM ▪ CM should take ownership of agreed Sourcing Assignment actions and bring them into the category once document is signed <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • Formulate actionable topics more like a project – HFBs desired improved business parameters from category formulated/stated more project-alike (i.e. clearer and easier to understand) • More quantified actions and a better measurability is desired, KPI-based or not – e.g. current position and wished position, reactive versus proactive KPIs • Incorporate follow-up as a part of the document • Only include biggest business movers within category or common denominators affecting entire category • Document should not be made in a single session and then be locked – can be filled in continuously • Should not become a pure information sharing document <p>Processes and documents related to Sourcing Assignment:</p> <ul style="list-style-type: none"> • Details, e.g. responsible person and time plan, should be specified in the category APL (in the SDP) • Parallel processes are running in the daily way of working that could/should be included or give input to Sourcing Assignment in a more structured way

Case 3: BA K&D and Category 25

Case 3 focuses on highlighting how BA K&D has decided to work with Sourcing Assignments, i.e. both the process and documents. Besides the BA/HFB perspective, category comments on Sourcing Assignment from Category 25 are presented. Relevant comments for the case from Category 22 and Category 1 are placed in connection to BA LWR in Case 1 and BA B&B in Case 2. See *Figure A.9* for an overview of Case 3.

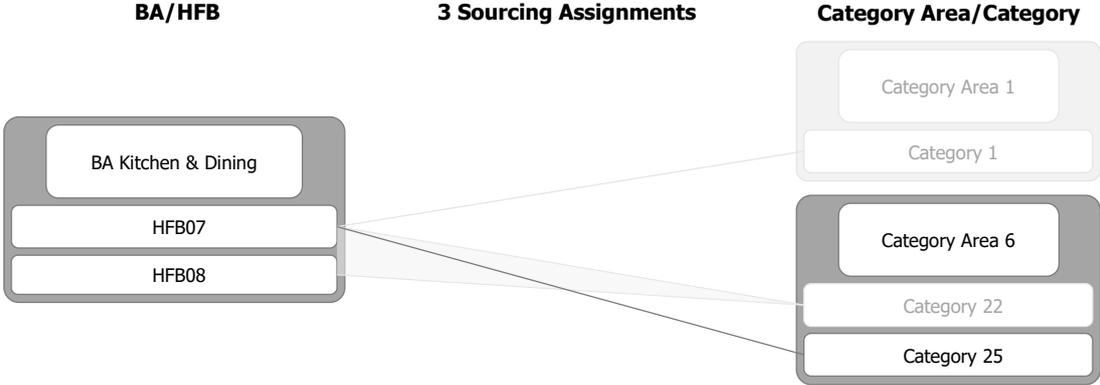


Figure A.9: Overview of Case 3 that interviews cover.

1. Sourcing Assignment case context

BA K&D has relations with 23 different categories and the aggregate BA K&D notified purchase value in FY16 amount to around EUR X billion. 7 categories, which correspond to 30% of the relations, exceed 5% share within BA K&D and account for 84% of total notified purchase value in BA K&D. On the other hand, 17 categories exceed 5% share from a category perspective. In other words, the 17 categories corresponding to 74% of the relations allocate major internal business shares to BA K&D, both from a percentage and value point of view, while 92% of BA K&D’s notified purchase is made with only 9 categories. The other 15 categories account for around 8% in BA K&D. Category 19, Category 25 and Category 31 work almost exclusively with BA K&D within IKEA. Looking strictly at the 5% share as no-go criterion in BA K&D yield 17 different categories that Sourcing Assignment should be done with. BA K&D currently has Sourcing Assignments in place with 17 categories which together account for 99,7% of BA K&D. The proposed no-go criterion of 5% mutual share either way is followed very strictly in BA K&D. See *Table A.12* and *Figure 1.3* for an overview of BA K&D’s category relations.

Table A.12: Overview of BA K&D's relations with around 23 categories and Sourcing Assignments.

BA Kitchen & Dining				
Category	Value* (t€)	Category in BA**	BA in category***	Sourcing Assignment?
Category 19		21,2%	95,6%	■
Category 1		19,3%	14,9%	■
Category 3		10,9%	45,3%	■
Category 25		9,5%	82,4%	■
Category 2		9,5%	19,9%	■
Category 22		8,6%	23,1%	■
Category 27		5,3%	18,4%	■
Category 7		4,9%	16,1%	■
Category 23		2,8%	13,7%	■
Category 26		1,7%	68,8%	■
Category 21		1,7%	19,1%	■
Category 6		1,5%	18,1%	■
Category 12		0,9%	10,6%	■
Category 4		0,7%	22,8%	■
Category 31		0,5%	100,0%	■
Category 14		0,5%	6,1%	■
Category 33		0,4%	3,8%	■
Category 24		0,2%	6,3%	□
Category 28		0,0%	0,4%	□
Category 29		0,0%	0,3%	□
Category 5		0,0%	0,4%	□
Category 18		0,0%	0,1%	□
Category 13		0,0%	0,0%	□
		100,0%		
* Colour coded notified purchase value in FY16 with scale going from 0% (white) to 100% (black), i.e. black is total value ** Category % share in BA (green cell means over 5%) *** BA % share in category (green cell means over 5%)				

2. Sourcing Assignment process⁵⁸ (BA K&D's current way of working)

Most of the 17 Sourcing Assignments are done due to categories allocating more than 5% share to BA K&D. The category perspective is taken seriously in BA K&D as 17 Sourcing Assignments were created during spring 2016. However, it has resulted in a complex situation for BA K&D. To manage it, 17 meetings were held lasting for around 1,5 hours in 1:1 discussions. It was primarily the SCM and SDM that handled the work last year with the SCM leading the meeting while the SDM did much of the preparatory work. Last year the SDs helped in preparing some content for a few documents but did not participate in actual meetings. The SDM in BA K&D often get questions from the SDs what the Sourcing Assignment is for and what the added value is for categories. Due to this the SDM in BA K&D feel that something in the essential and fundamental part of Sourcing Assignments is missing. Feedback and guidance from categories would be appreciated by the SDM as they are the ultimate internal customers. Last year categories showed up and expected BA K&D to tell them relevant information, but what they specifically wanted to hear or know was not made clear prior.

- What do categories expect from Sourcing Assignments and BA K&D?
- What do they want to use it for?
- What information do categories want?

⁵⁸ From BA K&D's perspective toward categories based on interview with the SDM (Interview 9).

“I like the general overall concept and think it is a fantastic idea. The ambition is great and I can see a good purpose of it. This this is how we should work but it needs to be done right and I do not think it is happening right now. It was done before as well but it was not called a Sourcing Assignment or done in a structured way.” (Interview 9)

Table A.13: BA K&D has decided to actively involve all its 11 SDs in 17 Sourcing Assignments during 2017.

Category	SD 1	SD 2	SD 3	SD 4	SD 5	SD 6	SD 7	SD 8	SD 9	SD 10	SD 11	SUM
Category 19												2
Category 1												2
Category 3												1
Category 25												1
Category 2												2
Category 22												2
Category 27												1
Category 7												2
Category 23												1
Category 26												1
Category 21												1
Category 6												1
Category 12												1
Category 4												1
Category 31												1
Category 14												1
Category 33												1
SUM	2	2	1	3	3	1	3	1	2	1	3	

It turned out to be a time-consuming approach for the SCM and SDM which added extra workload to the already full schedules. Meetings will be 1 hour this year instead. BA K&D think 1 hour is enough but it requires good preparations and that BA plans are made category specific. It was impossible to find the time for it in 2016. The responsibility was not fully delegated to the SDs which was a mistake. This year, BA K&D will therefore actively involve its 11 SDs to spread Sourcing Assignments over more people, consequently distributing the workload, see *Table A.13*. Each SD will handle between 1 to 3 Sourcing Assignments. For some of the biggest categories there will be 2 SDs that share on the responsibility. The SDM handle the internal coordination for the whole BA to prevent that 11 SDs approach the same stakeholders. Also, the SDM ensures that SDs material relates to Material & Innovation as well as Shared Solutions. BA K&D’s SMs will join this year as well when relevant as they already are split per category within BA K&D’s current organisational structure. Sourcing Assignment meetings are still viewed as the SCMs meeting. Basically, it will be SCM, SMs, SDM and SDs that participate in Sourcing Assignment meetings from BA side in 2017. From category side BA K&D invite the CM and CSSs.

“It might be more efficient meetings if only me [the SDM] and SCM were attending the meetings but at the same the SDs are sitting on the main knowledge of the business” (Interview 9)

The main learning from last year was that only the last chapter will be worked with this time like BA B&B does. Categories did not appreciate the general background information that BA K&D presented. BA K&D arranges debriefing meetings each year regarding the BPL and strategy

direction after the January BC to which CAMs and CMs are invited. Business Leader, Range Manager, EQR Manager etc. present the high level generic information at the BPL sharing meeting. Most categories have therefore heard the generic information once already before Sourcing Assignment discussions occur. It became obvious in last year's Sourcing Assignment meetings that there was a need to translate BA K&D's plans to category specific information. BA K&D's Range Plan and BPL is done mostly on product level and how it is sold to end-customers, e.g. chairs, tables, kitchen fronts etc., not on material level, e.g. metal, plastic, wood etc. Therefore, it is difficult to translate plans to information individual categories request. BA K&D state that more clarity is needed already in the Range Plans but that it is extremely difficult, e.g. it cannot be specified material-wise what an attribute like a more comfortable chair means. BA K&D lacked guidance from categories what they specifically wanted to hear and know in the meetings. An empty Sourcing Assignment draft template with chapters assigned to categories was sent out in advance last year to all categories. However, categories did not make clear their expectations prior to meeting even though they are the customers of the information. Only a handful categories came prepared and had filled in the requested content according to the SDM.

"So much time was spent on the background information. If there was 2 hours basically 1,5 hours was spent on the background information. Therefore, the conclusions were rushed through...This year we will only work with the last chapter and skip all the background information [compare BA B&B's focus on agreed actions in Case 2]." (Interview 9)

It was a struggle for BA K&D to arrange 17 Sourcing Assignment meetings in spring last year. Too much time was invested into organising practicalities like booking people, finding meeting rooms, aligning expectations, ensuring same level of information and creating the template while more focus is desired to be directed to the actual content of Sourcing Assignments. No follow-up meetings were arranged in autumn even though it was wanted. How to do follow-ups is nothing that BA K&D has discussed. This year's spring session will act as a "follow-up" of last year's discussion plus addition of new updated information. This year the booking of meetings took place quite late, in end of February and beginning of March. Two days are blocked in April and one day in May for the meetings. However, all categories had not been invited at the time of the interview. This year meeting session will be shorter, around 1 hour, than last year to keep it more simplified. BA K&D has realised that 1 hour is not much time and the amount of people in the room is not helping. BA K&D admit that the right set up for Sourcing Assignments have not been found.

"The effort to make it happen is really big compared to the outcome. The proportion to organise the Sourcing Assignment meetings and the time spent on discussing the business is not well-balanced...it is an exercise in itself to book the people...I would like to focus on creating the content, not when to meet, who to meet, how to meet and what template to use. We are still very much stuck on the practicalities...we should go more into the actionable content to add value to it..." (Interview 9)

2.1. Summary table

The interview with BA K&D's SDM captured, either directly or indirectly, several good examples, potential problems and implications for desired way of working related to the Sourcing Assignment process and document as well as the cross-organisational interface, governance and practicalities, and other related processes and documents. See *Table A.14* for a summary compiled by the author.

Table A.14: Summary of comments regarding good examples, problems identified and desired way of working.

Good examples
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • BA K&D has high ambitions and established 17 Sourcing Assignments – category perspective taken very seriously – equal treatment of categories in individual meetings (majority of Sourcing Assignments done due to inclusion of relations over 5% from category viewpoint) <ul style="list-style-type: none"> ▪ <u>Governance and practicalities:</u> <ul style="list-style-type: none"> ▪ Involvement of all BA K&D's 11 SDs to reduce workload and improve 1:1 dialogues with the categories <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • Excel-checklist from status quo put into the working document – content to cover based on it • Sourcing Assignment draft template sent in advance to categories as a pre-read – headings labelled with responsible role/organisation to clarify who should fill in the content
Potential problems identified
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • Only SCM and SDM handled the process – 2 employees versus 17 meetings/documents • Even hard for the SDM himself to get an overview of all 17 Sourcing Assignments • SDs support with some preparatory content – purpose and added-value for categories not clear to SDs • Short-term, mid-term and long-term is covered – discussions do not only focus on tactical/strategic • Short meeting sessions (around 1 hour) make it extremely difficult to cover the extensive table of contents – main conclusions/actions rushed through – sub-optimal and ad hoc • Not a single follow-up meeting took place in autumn 2016 – spring session 2017 become follow-up • Categories generally did not appreciate generic information on BA/HFB level – alternative is to communicate the entire BPL, Range Plan, LTP etc. (how it would normally be done without Sourcing Assignment) <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> <ul style="list-style-type: none"> ▪ Lack of category involvement – only few categories came prepared to meetings ▪ Categories expectations toward BA/HFB was not made clear prior to meeting ▪ Meetings risk not living up to (some categories) expected standards ▪ Important categories with significant impact on IKEA's business treated equally (i.e. get 1 meeting hour) as insignificant categories for totality – equal treatment versus prioritisation? ▪ <u>Governance and practicalities:</u> <ul style="list-style-type: none"> ▪ Extremely tough to squeeze in 17 meetings within current agenda – impending risk of poor preparations ▪ Time to organise practicalities is disproportionate to outcome, not well-balanced – the right setup has not been found and still very much stuck on practicalities ▪ A lot of time put on unnecessary but still necessary things – waste of time and non-value add if SCM and SDM handle internal coordination <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • Very extensive template used but limited content filled in – many headings labelled as not applicable and only concise bullet points specify content • Half-finished documents and underdeveloped main conclusions/actions section – how to do follow-up and use current document unless re-done? • Categories generally did not fill in much content in documents prior to meeting <p>Processes and documents related to Sourcing Assignment:</p> <ul style="list-style-type: none"> • Sourcing Assignment process and the category APL process are not fully in synch • Range Plan – the trick is to translate the BA/HFB plans from being range specific to be category specific • BA/HFB way of working with Range Plan does not suit category organisation well – now it is about e.g. chairs, tables, kitchen fronts and not e.g. metal, plastic, wood • Translation of subjective parameters, like a more comfortable chair, to materials – must be explored during projects and cannot be defined before • HFB APL process require most of the BA/HFB attention until finalised
Implications for desired way of working
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • Actively involve more employees, e.g. SDs, to distribute workload and improve depth in content (in bigger BAs there are around 10-12 SDs while in smaller BAs 6-7 SDs) – SDs sit on main knowledge of the business according to SDM • Possible to do in 1 hour if very prepared and category specifics filtered out from BA/HFB documents

- Add people (competence) part in discussions
- Clustering categories is not a good idea – rather spend 30 minutes of individual time
- SDM mean that maximum 4-6 Sourcing Assignments are manageable for 2 employees
- More clarity on the process and document is wanted by the SDM
- Could be fine to hand-over standardised short version document to some categories to reduce number of meetings and save time – however 1:1 face-to-face communication lost
 - ***Cross-organisational interface:***
 - Synchronisation of different expectations – revise and realign purpose with categories this year
 - Unify approach toward categories across BAs – one way of working
 - BA K&D desire more guidance from categories to create a better document
 - 1:1 relation is what makes Sourcing Assignment a good and valuable tool – how it should be
 - ***Governance and practicalities:***
 - An assistant to handle practicalities during a week – need help with the organising part
 - Devote a Sourcing Assignment week – people must be available – can be 2 weeks in April, and 3 days in each week, when it is done, i.e. 6 days – makes sense for the spread home furnishing BAs
- Sourcing Assignment document:**
 - Sourcing Assignment table of content in document creates the meeting agenda
 - Skip all BA/HFB background information – handled anyways in separate BPL/strategy direction sharing meeting after January BC and prior to Sourcing Assignment meeting
 - In 2017 BA K&D is planning to only include main conclusions/actions and go more in-depth to add value (compare with BA B&B) – consequence of lack of resources and time
 - Do not need to cover all in the template – skip chapters if not relevant for a certain category
 - Two document versions – a simplified and an in-depth – e.g. distinguish between 5% and 15% share
- Processes and documents related to Sourcing Assignment:**
 - Reformulate BA/HFB Range Plans/BPLs with material dimension (or at least add it) to better suit the new category organisation

3. Sourcing Assignment document content exemplified

BA K&D used a very extensive document template in 2016 covering a broad table of content. The same template was used for all Sourcing Assignments that became very lengthy and thick. However, notably the agreed actions were still scarce and limited in most documents. Majority of focus was on general background information of overall character about BA K&D's two HFBs. BA K&D tried to be category specific within documents, to the extent possible, but information is mostly copied and pasted or screenshotted from PowerPoints, Excel-sheets, graphs from IKEA's KPI system etc. The information written down is captured in very short and concise bullet points and some headings even completely miss content or are labelled as not applicable. BA K&D has assigned responsible person or organisation, i.e. BA/HFB or category, to fill in content for most of the headings. No appendixes are included nor hyperlinks to redirect the reader to more in-depth business reports.

BA K&D's Sourcing Assignment documents contain the main headings and sub-headings presented in *Table A.15*. See *Appendix 3* and *Table C.3* for exemplified formulations of agreed *main conclusions/actions* quoted from documents.

Table A.15: Headings and sub-headings in BA K&D's documents (IKEA, 2016E).

Introduction
<ul style="list-style-type: none"> • Purpose • Scope • Document storage location
Short-term update
<ul style="list-style-type: none"> • KPI performance update <ul style="list-style-type: none"> ▪ General update ▪ Growth ▪ Profitability ▪ Quality ▪ Availability ▪ Sustainability • Running projects in category connected to HFB • M&I and DSS (<i>Material & Innovation and Develop Shared Solutions</i>)

<ul style="list-style-type: none"> • Agreements and projects with New Business teams / Free Range • Status of product development suppliers • Update on NEWS, MOVES and IMPROVES • Suppliers where IKEA is not living up to the promises
<p>Mid- and long-term objectives of Sourcing Assignment</p> <ul style="list-style-type: none"> • HFP BPL update • Growth plan (LTP) • Range development (NEWS, UTG) • Range development with Free Range • Engineer and quality agenda • Shifts in technology • Material and technique development and innovations • Capacity commitment update • Flexibility in capacities • Update on DSS • IKEA Industry assignments and projects • IKEA Components assignments and projects • Investments needed • Material strategy • ÖVERTAG update • Capacity/need development from mid and long-term perspective
<p>Main conclusions and actions of Sourcing Assignment</p> <ul style="list-style-type: none"> • Price development (costs) • Availability (capacity) • Logistics • Quality (product improvements) • Sustainability • Supplier base • Material and technique development

4. Category 25 comments⁵⁹ on way of working

Category 25 allocates majority of its business to BA K&D (82,4%) but also work with BA B&B (10,4%) and BA LWR (7,0%). From all purchases made within the category around 60% is related to home furnishing products, on behalf of BAs/HFBs, and 40% is components, going via end-suppliers directly into products. Looking at components instead mean that Category 25 suddenly has many more relations, even though indirectly, with BAs/HFBs than the three mentioned. Only one Sourcing Assignment was done in 2016 with BA K&D. As both BA B&B and BA LWR intend to include the category in 2017 it will most likely become 3 Sourcing Assignments. The internal shares, both percentage and value, for components with BAs/HFBs are quite small when looked at in isolation. However, when aggregating all components, it accounts for a significant part in Category 25, i.e. 40% of purchases. The CM questions with whom such Sourcing Assignments should be done with as it would not be meaningful to do it directly with BAs/HFBs.

The CM mean that it could be a good idea to establish a Sourcing Assignment equivalent with IKEA Components (i.e. the Component Business Area). It makes sense for a handful of so called *integrated categories*, like Category 24 and Category 25, which work with both home furnishing products and components. Interestingly, IKEA Components is structured in four categories and the CM in Category 25 has a dotted line to CMs in IKEA Components. A strong link exists between IKEA Components, BAs/HFBs and integrated categories. IKEA Components depend on Category 25 to fulfil their component need in the same way as BA K&D depend on Category 25 to fulfil their finished product need. Component purchases are dispersed over several different BAs/HFBs but it would not make sense for the CM to do separate component Sourcing

⁵⁹ Based on interview material with the CM for Category 25 (Interview 6).

Assignments. Also, BAs do not calculate on component level, e.g. number of slides or hinges, but it is done on finished product level, i.e. how it is sold to customers. When BAs/HFBs hand over a sourcing need, it is necessary to re-calculate to components within the category. The CM feel it would be too demanding to request e.g. the SCM in BA B&B to calculate everything on component level. Therefore, for the CM, it would make sense to act as a bridge between IKEA Components and BAs/HFBs, potentially via a Sourcing Assignment. See *Figure A.10* for an illustration.

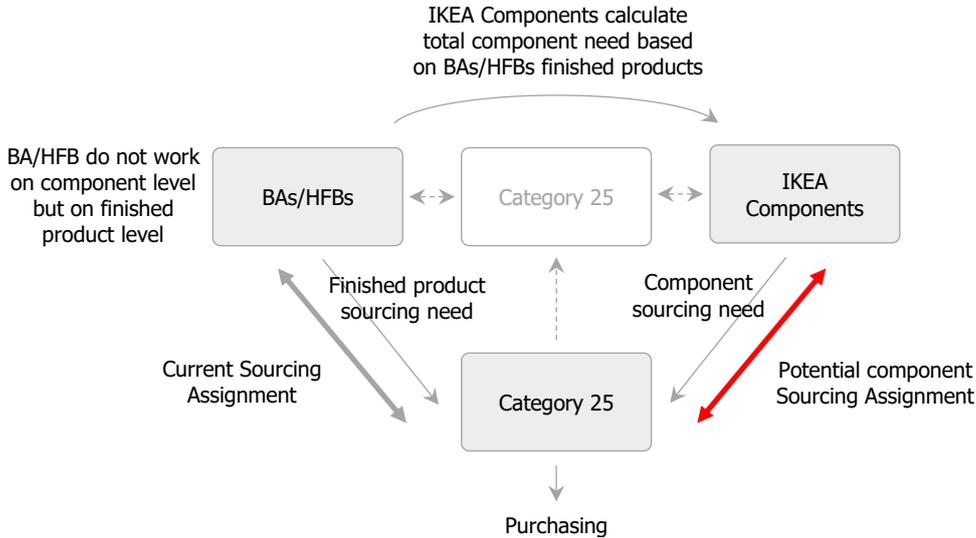


Figure A.10: Sourcing Assignment with IKEA Components could make sense for integrated categories.

From category viewpoint, it depends on BAs approach toward the category whether a Sourcing Assignment will be established or not, e.g. if BA B&B keeps their top-5 prioritisation it will not be created as the category adapts to the BA. The process with BA K&D was very simple and it felt like the content was already known prior to the Sourcing Assignment meeting. It was nothing new that came up from scratch or a blank sheet that was filled in. BA K&D approached with a pre-made draft template outlining their general future direction stated in bullet points. Nevertheless, the CM felt it was a valuable discussion even though it was a struggle to decide on what to include in the short meeting time. The CM means that Sourcing Assignment can be used to capture running projects in the category done jointly with BA K&D. However, updates from such projects have not fed back into Sourcing Assignment but only within the category. The CM had an internal reconciliation with the BDM to ensure that Category 25 could deliver toward the agreements within the Sourcing Assignment. It would be desired that the document can be used within the entire category just like the category BPL/APL.

The CM feel the last part in Sourcing Assignments is not specific enough, i.e. the agreed main conclusions/actions, and generally HFBs have a hard time being clear about what they want. Consequently, the Sourcing Assignment with BA K&D became very broad instead. The CM state that HFBs often comment what the category’s specific priorities are after CCs. Ironically it is caused by a waterfall effect, i.e. that BAs/HFBs give unspecific input to categories via their plans in the first place, which then category plans build on. The CM desire that there should be a more targeted focus within Sourcing Assignments. If for example all focus within category BPLs FY17 will be on quality then documents should also have a clear quality focus as they become input to

categories. The Sourcing Assignment with BA K&D will not be done timely this year, if comparing with the suggested status quo work method, since it overlaps with the category APL process (SDP). It is crucial that Sourcing Assignment manages to feed e.g. range development and volume growth into the IKEA Offer step in categories so that the business moves needed from a customer perspective can be clarified. Category 25 did not give input to BA K&D's APL process via the Sourcing Assignment. It is not seen as problematic as it is done separately to a POD team in BA K&D before the APL is finalised. Thus, Sourcing Assignment do not serve as the channel or documented dialogue to give input directly to the HFB APL process.

4.1. Summary table

The interview with Category 25's CM captured, either directly or indirectly, several good examples, potential problems and implications for desired way of working related to the Sourcing Assignment process and document as well as the cross-organisational interface, governance and practicalities, and other related processes and documents. See *Table A.16* for a summary compiled by the author.

Table A.16: Summary of comments regarding good examples, problems identified and desired way of working.

Good examples
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • Process was perceived as very simple – CM felt everything agreed on was known beforehand • CM ensured with the BDM in the category that agreements could be delivered as expected <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> <ul style="list-style-type: none"> ▪ Not done from scratch/blank sheet – Category 25 and BA K&D already aligned – was not rocket science and mutual understanding was in place prior to meeting
Potential problems identified
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • Potentially risks becoming shorter time horizon if lower-level employees working more on operational level do the work like SDs or CSSs • SCM becomes a bottleneck when limited time devoted or category neglected (compare BA B&B) – alternatives are either to not do a Sourcing Assignment or do it with someone else • CM mean it is up to BAs whether a Sourcing Assignment will be established or not – unless BA B&B change their mind it will not be done together <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> <ul style="list-style-type: none"> ▪ Some integrated categories allocate significant purchase volumes to components – IKEA Components not captured at all in Category 25's Sourcing Assignment <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • Struggled with content to include due to short meeting time – what is the minimum level? • Too much mandatory basics in the actionable part – main conclusions/actions not specific/drastring enough – everybody will work somewhere in the middle • Both short-term and long-term horizon covered
Implications for desired way of working
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • SCM must not attend even though it is a super-important speaking partner – can be done between CM and POD team in BA/HFB with SDs in the lead • Created lower in the hierarchy while approved higher up – delegation principle • SCM, SDM and SD etc. could handle different categories – removes SCM as bottleneck – if same document template is used it will simplify such an approach (compare BA B&B's new approach) • Prevent short-term focus • Include overview (but exclude details) of agreed projects run by category on behalf of BA/HFB – reconciliation on projects from APL perspective on Sourcing Assignment follow-up meeting • Shifting focus areas during the years – e.g. quality focus reflected in both category BPL process (PDP) and Sourcing Assignment • Do not specify exact roles, i.e. stare blindly on employees' titles – involve the right competence or knowledge instead • As common as possible as unique as needed <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> <ul style="list-style-type: none"> ▪ Do a Sourcing Assignment on component level with IKEA Components for integrated categories ▪ Consider internal power-dependency from category perspective ▪ <u>Governance and practicalities:</u> <ul style="list-style-type: none"> ▪ Premade reports in IKEA's KPI system customised for Sourcing Assignment – all BAs/HFBs and categories can extract similar performance overviews and bring into discussions

- Build or use existing Range & Supply dashboard – both BA/HFB and category dimensions

Sourcing Assignment document:

- Establish a minimum level – different detail levels within documents – should at least capture the big brush strokes
- Capture big movers/real triggers/step-changes – visionary document driving significant business change
- Emphasise what category shall move from customer perspective
- Remove the mandatory/basics/bottom-line – e.g. availability KPIs for service level or IKEA's price development goal
- Important that flexibility exist – different ambitions on content and pages
- Document should be good enough to use within the category team – an internal document that whoever can use just like the category strategy document
- Does not have to be many bullet points to agree on – can only be one product family included in a Sourcing Assignment
- Distinguish between important musts and good to-do's
- Simplified and more homogeneous ground structure in documents
- Democratic Design as foundation

Processes and documents related to Sourcing Assignment:

- Extract content already in BPL/APL processes/documents – better preparation for Sourcing Assignments – prevents content being translated/extracted within meetings wasting valuable discussion time

Case 4: BA Lighting and Category 20

Case 4 focuses on highlighting how BA Lighting has decided to work with Sourcing Assignments, i.e. both the process and documents. Besides the BA/HFB perspective, category comments on Sourcing Assignment from Category 20 are presented. See Figure A.11 for an overview of Case 4.

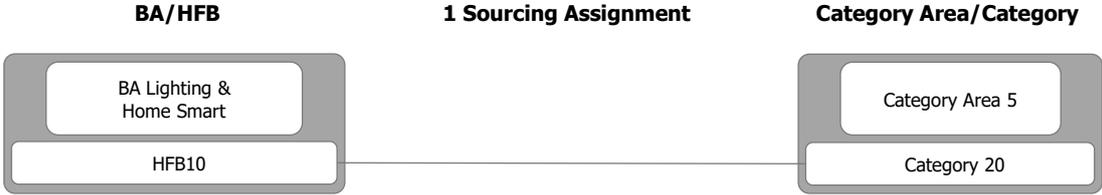


Figure A.11: Overview of Case 4 that interviews cover.

1. Sourcing Assignment case context

BA Lighting has strong relations with Category 18 and Category 20, with relations being well above 5% share in either direction. Currently Sourcing Assignments has been established with both categories. The categories basically allocate all their business internally to BA Lighting (99,1% and 96,2%) and the aggregated notified purchase value in FY16 amount to around EUR X billion. IKEA Components are also included within the two Sourcing Assignments. Hence, even though IKEA Components is not directly part of the IKEA Range & Supply organisation the Component Business Area it is treated in documents. See Table A.17 and Figure 1.3 for an overview of BA Lighting’s category relations.

Table A.17: Overview of BA Lighting’s relations with around 5 categories and Sourcing Assignments.

BA Lighting & Home Smart				
Category	Value* (t€)	Category in BA**	BA in category***	Sourcing Assignment?
Category 20		68,3%	99,1%	■
Category 18		31,7%	96,2%	■
Category 4		0,0%	0,1%	□
Category 5		0,0%	0,0%	□
Category 8		0,0%	0,0%	□
		100,0%		
* Colour coded notified purchase value in FY16 with scale going from 0% (white) to 100% (black), i.e. black is total value ** Category % share in BA (green cell means over 5%) *** BA % share in category (green cell means over 5%)				

BA Lighting primarily work with two business segments, namely Lighting and Home Smart. The Lighting agenda is driven by Category 20. Home Smart is related to connectivity at home, i.e. internet of things from a home furnishing perspective, and the segment is agile by nature due to its technology focus. BA Lighting do not treat Home Smart as a separate purchase category. Instead, Category 18 has become responsible to drive IKEA’s Home Smart agenda. This is done since BA Lighting desire early supplier involvement in the design and development phases, i.e. development suppliers and not only production suppliers. Doing this gives Category 18 the ability to own the supply chain directly, i.e. the supplier base, instead of BA Lighting controlling it. Therefore, suppliers become more involved in range development for the Home Smart segment which is a strategic choice BA Lighting has taken. BA Lighting also work closely with IKEA Components, which is viewed as a third category. BA Lighting desire component suppliers that

can contribute to IKEA's shared solutions platforms which then final products build on. For instance, BA Lighting has devoted shared solutions teams that solely build common platforms. Some distinguishing characteristics for BA Lighting, and especially IKEA Home Smart, are:

- Short strategic horizon by nature
- Continuous technology development
- Range and technology complexity
- Short product life cycle but need to maintain updated software
- Integration of software into hardware
- Need for software competence build-up
- Legal requirements and patent infringement
- Limited but in-depth category relations
- Component level focus and shared solutions platforms

A general remark from the SCM was that the common ONE IKEA BPL process do not suit BA Lighting's need for agility in the rapidly changing internet of things market.

2. Sourcing Assignment process⁶⁰ (BA Lighting's current way of working)

BA Lighting's viewpoint is that the day-to-day communication with categories is more important than the Sourcing Assignment itself. The SCM try to safeguard a corporate culture and behaviour based on full transparency and continuous dialogue where the entire value chain constantly is in mind, and Sourcing Assignment is a relatively small part of it.

"It depends a lot on soft parameters like trust...Sometimes we [BAs/HFBs and categories] act as if we do not work in the same company but fundamentally we have the same goals for growth and customer satisfaction...Everything does not have to be correct, it will be corrected in the meantime, but we must listen and talk to each other based on trust. Sometimes you have to lead more with heart than brain..." (Interview 15)

To facilitate internal alignment, Supply Chain Alignment meetings have been introduced. Such meetings are arranged regular, i.e. at every Home Week meaning that around 10 meetings occur yearly, see *Figure A.12* for Category 20's year cycle. SDs own the agenda and usually the entire value chain is represented, e.g. CM, CAM, SCM, SM, need planners, demand planners etc. It can be up to around 25 meeting attendees and BA Lighting rather include than exclude participants. For BA Lighting, Sourcing Assignments serve as a complement to the Supply Chain Alignment meetings. The SCM has made clear that Sourcing Assignments will not become a baton which are handed over to categories. Instead, it should be a common document addressing both directions with even contribution. BA Lighting see Sourcing Assignments as Supply Chain Assignments to capture the entire value chain, not only sourcing. Two dedicated Sourcing Assignment meetings are allocated in the year cycle. The document is created on one meeting, called strategic alignment, and updates are done on a follow-up meeting, called tactical alignment. In 2016, BA Lighting struggled with the template as it became too extensive documents. For this year, the SCM has communicated a rule of thumb, namely that it should not take more than 4 hours to complete the document. Last year few formal follow-ups were arranged in autumn.

⁶⁰ From BA Lighting's perspective toward categories based on interview with the SCM (Interview 15).

Consequently, a chapter has now been introduced to clarify the year cycle. However, continuous follow-ups are made on the Supply Chain Alignment meetings, and if relevant, content in Sourcing Assignments are brought up at these meetings. The SCM means that there are always some classical problems that arise when discussing Sourcing Assignments, e.g. range development and material choice. BA Lighting encourage category involvement in BA/HFB activities continuously throughout the year e.g. in the DPOP and POD team matrix meetings.

Initially, the spring Sourcing Assignment meeting were planned in w.9, after the HFB BPL was approved. However, the SCM and CAM for Category Area 5 decided to postpone it until the HFB APL was finalised. This year Sourcing Assignment meetings will therefore occur around April and May. One reason to push the Sourcing Assignment meeting was that discussions held in 2016 based only on the HFB BPL became too blurry and high-level. Another contributing factor is that IKEA’s sales planning occurs around February. BA Lighting rather discuss sales planning in Supply Chain Alignment meetings in February and do the Sourcing Assignment later when more concrete actions and product ranges are known. Also, to speed up the information sharing process, SDs share the HFB APLs when finished via Skype to category representatives joining globally. In that way people are kept up-to-date as soon as possible.

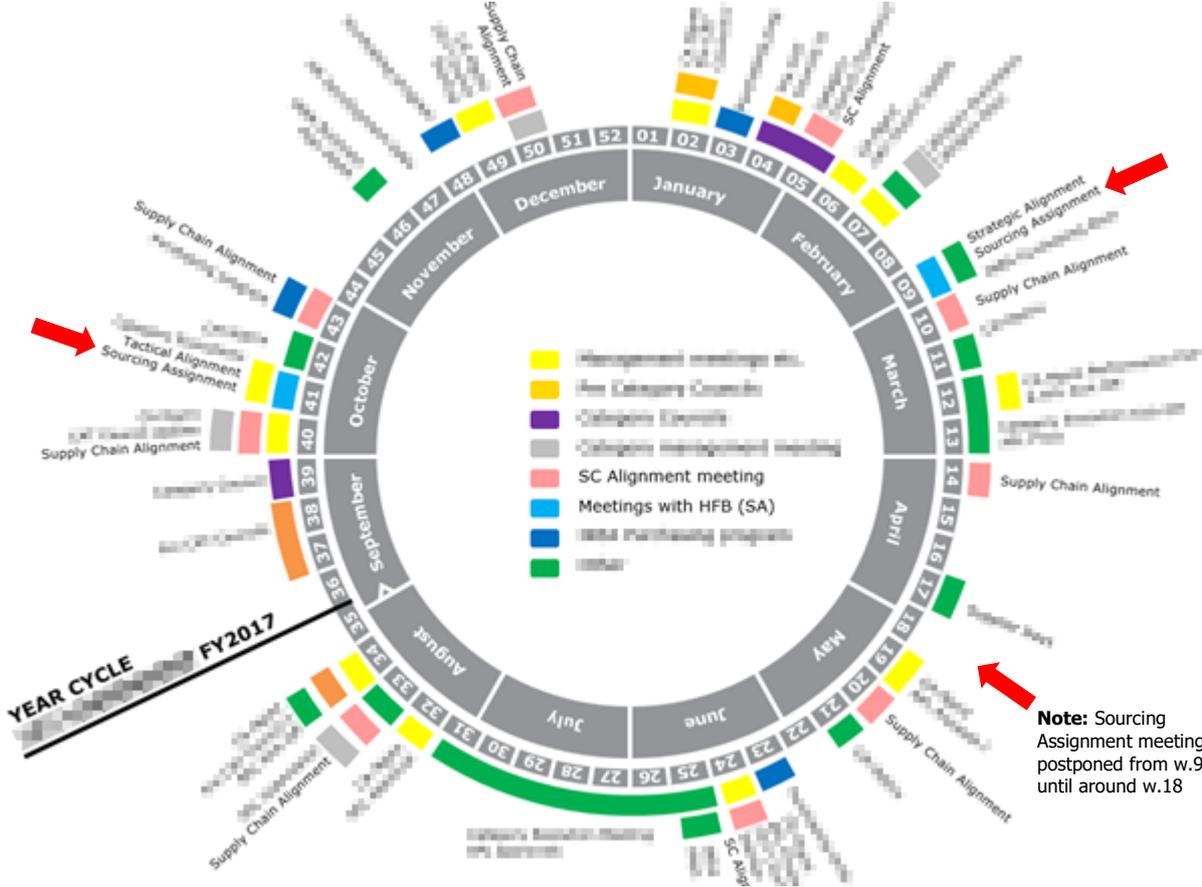


Figure A.12: Category 20's year cycle connected to BA Lighting. (IKEA, 2017A)

2.1. Summary table

The interview with BA Lighting’s SCM captured, either directly or indirectly, several good examples, potential problems and implications for desired way of working related to the Sourcing Assignment process and document as well as the cross-organisational interface, governance and

practicalities, and other related processes and documents. See *Table A.18* for a summary compiled by the author.

Table A.18: Summary of comments regarding good examples, problems identified and desired way of working.

Good examples
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • SDs have been assigned to lead work for the entire Sourcing Assignment – SDs owns agenda and are responsible for totality <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> <ul style="list-style-type: none"> ▪ Supply Chain Alignment meetings introduced and held regularly as a mean to tighten the value chain – categories are invited to participate and CMs are always present – SCM state that Sourcing Assignment is continuously followed-up at the meetings (however mostly indirectly) ▪ Surprisingly often the same thing is wanted – often feels much has been heard before – must just ensure it is wanted at roughly the same time ▪ BA Lighting feel they own the supply chain more than e.g. BA B&B – allows more in-depth interactions <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • BA Lighting view the document as a <i>Supply Chain Assignment</i> rather than a <i>Sourcing Assignment</i> • Clear document structure has been outlined – key activities shall answer what, how, goal, finalised and responsible – actions forced to be formulated more specifically • Each chapter/bullet point within document has assigned responsible person with correct competence – e.g. quality managers own the quality part while logistics managers own the supply part • Clarification of year cycle as a standard chapter in Sourcing Assignment from this year <p>Processes and documents related to Sourcing Assignment:</p> <ul style="list-style-type: none"> • SDs share APL globally via Skype as soon as finished – speeds up sharing process and saves time • SCM encourage category involvement already in the DPOP and ongoing POD matrix meetings
Potential problems identified
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • Tactical/strategic horizon differ greatly between BA Lighting and other BAs within IKEA – very hard for BA Lighting to be specific even in 0-3 years’ horizon due to technology market characteristics • Extremely fast technology shifts – shorter strategic time horizon by nature – Sourcing Assignment cannot be too static and long-term for BA Lighting’s Home Smart business – what was specified in a Sourcing Assignment can be outdated 3 months later • Not much follow-ups done in autumn 2016 – year cycle was unclear <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> <ul style="list-style-type: none"> ▪ Nobody has said that Sourcing Assignment was incredibly smart or a brilliant idea – seen as a relatively small thing ▪ Sometimes soft parameters take overhand – find balance between heart and brain <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • Template became too extensive in the beginning – no-one will read it • SCM state that if he would write document key activities they would be too fluffy – e.g. “focus on automation” or “increase capacities” <p>Processes and documents related to Sourcing Assignment:</p> <ul style="list-style-type: none"> • Range and material – classical IKEA problems surfacing in Sourcing Assignment meetings • Range is specified first in the HFB APL – difficult to arrange Sourcing Assignment meetings prior as originally intended • Sourcing Assignment meetings previously arranged after HFB BPL was finalised (around February) – felt too blurry and high-level and has consequently been postponed • Home Smart is a much more agile/iterative business than IKEA traditionally are used to – IKEA’s inflexible processes do not fit BA Lighting – CM feel they cannot work as dynamically as desired
Implications for desired way of working
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • Valuable to keep – a good start and platform to build on to make it viable e.g. when SCM leaves the company <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> <ul style="list-style-type: none"> ▪ Daily work and communication is key ▪ Safeguard a culture and behaviour with the entire value chain constantly in mind – full transparency and continuous dialogue ▪ Should not become a baton handed over to categories – a 2-way dialogue ▪ The best CMs basically sit in POD teams and develop together with the BA – potentially phenomenal impact if adopted that can strengthen BA/HFB and category relation ▪ Think supply chain not sourcing ▪ <u>Governance and practicalities:</u> <ul style="list-style-type: none"> ▪ Timing is good after HFB APL process is finalised ▪ Rather discuss sales planning than Sourcing Assignment around February <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • Sourcing Assignment as a complement to Supply Chain Alignment meetings • Do not emphasise Sourcing Assignment too much – prevent 50-page documents

- Do not spend more than 4 hours to create document as a mindset/rule of thumb
 - What has been written down in the document cannot be an excuse to not meet personally
 - SCM do not write document but instead SDs do – content on a much more concrete level
 - The name Sourcing Assignment inappropriate – should be Supply Chain Assignment – much broader than only the sourcing part
- Processes and documents related to Sourcing Assignment:**
- Invite categories already in the DPOP process – bring clarity across BA/HFB and category from the start
 - Include IKEA Components within Sourcing Assignments

3. Sourcing Assignment document content exemplified

A new chapter structure focusing on key activities has been developed for 2017’s Sourcing Assignment meetings. Each chapter has an assigned owner responsible to fill in content except appendix where content not translated within the document is redirected to. For instance, the SCM should formulate scope and purpose, and together with CAM for Category Area 5 the year cycle is defined. The scope is not only on HFB level but goes into product area (PA) and product segment detail. BA Lighting has decided that Sourcing Assignments will be done w.18 and w.42, and sign-off between SCM and CM take place at the immediate following Supply Chain Alignment meeting. Representatives from Business Navigation in both BA and category jointly specify the goals, basically the same as in BC and CC, while BA contribute with growth plan. Key activities are distributed among several employees. For example, quality managers from both BA and category are responsible for the quality bullet point while supply and logistics managers own the supply bullet point. SDs have been appointed responsibility to ensure quality of Sourcing Assignments, and the SCM mean that the content will be more concrete if SDs take the discussions. BA own certain key activities, the category others while some are mutually taken responsibility for. Each key activity is formulated under five clarifying headings, an example:

- **What:** Decrease LED Driver cost for X to competitive level
- **How:** Re-design for lower cost (-X%) by reducing complexity and using cheaper alternative components
- **Goal:** -X% price development
- **Finalised:** December FY17
- **Responsible:** Business Development Manager (BDM) for Europe in category

BA Lighting’s Sourcing Assignment documents contain the main headings and sub-headings presented in *Table A.19*. See *Appendix 3* and *Table C.4* for exemplified formulations of agreed key activities quoted from documents.

Table A.19: Headings and sub-headings in BA Lighting’s documents with an exemplified key activity (IKEA, 2016E).

Introduction
<ul style="list-style-type: none"> • Purpose • Scope • General principles • Ways of working and year cycle
Goals (<i>hyperlinks to e.g. CC presentations</i>)
<ul style="list-style-type: none"> • Purchase price development • Profitability • Quality • Availability • Logistics • Sustainability
Growth plan
<ul style="list-style-type: none"> • Current top 5 families per PA

Key activities <i>(related to purchasing, supply and quality)</i>
<ul style="list-style-type: none"> • Category <ul style="list-style-type: none"> ▪ Key activities <ul style="list-style-type: none"> ▪ What ▪ How ▪ Goal ▪ Finalised ▪ Responsible • IKEA Components <ul style="list-style-type: none"> ▪ Key activities <ul style="list-style-type: none"> ▪ What ▪ How ▪ Goal ▪ Finalised ▪ Responsible • BA/HFB <ul style="list-style-type: none"> ▪ Key activities <ul style="list-style-type: none"> ▪ What ▪ How ▪ Goal ▪ Finalised ▪ Responsible
Appendix
<ul style="list-style-type: none"> • E.g. commercial calendar

4. Category 20 comments⁶¹ on way of working

Category 20 allocate 99,1% of its business to BA Lighting and vice versa it is 68,3%. The BA/HFB and category relation is therefore characterised by very strong mutual interdependency. The Deputy CM (DCM) has experience from doing Sourcing Assignment both in 2016, then with Category 18, and in 2017 with Category 20. Nevertheless, not much learnings from previous year has been incorporated into the way of working this year. With Category 18 work was perceived as more concrete with clear role descriptions, goals and expectations on KPIs and deliverables. With Category 20 work is a bit “fluffier”. According to the DCM the organisation has undergone relatively big changes recently and for that reason Sourcing Assignment becomes even more important. However, at the same time it becomes more difficult to be concrete. Sourcing Assignment still has low priority and the DCM mean that for SDs in BA/HFB it has become something delegated to them from their manager, i.e. SDM/SCM, that must be done. The benefit and purpose with Sourcing Assignment is not recognised. Consequently, time is not prioritised to make Sourcing Assignment thoroughly and it risks becoming just a document put aside. Better preparation is therefore wanted by the DCM. Also, the DCM mean that once the Sourcing Assignment is created the discussions mostly tend to be done separately from the document. The DCM mean that it is understandable that it is low on BA Lighting’s priority list as it is done simultaneously with the HFB APL process. Hence, it is more important for BA/HFB to focus on what products they shall develop during late spring and not the comparatively insignificant Sourcing Assignment. The DCM mean there is neither a process in place nor clearly integrated year cycle for Sourcing Assignment. Basically, the task is tried to be solved during a single meeting which implies lack of preparation in the way of working with Sourcing Assignment.

Primarily the CM and DCM has been involved from category side as no CSS exists in Category 20. Discussions has occurred with SDs in BA Lighting, and hence not with the SDM or SCM. BA Lighting’s approach this year has been to divide the chapters to certain functions or

⁶¹ Based on interview material with the DCM for Category 20 (Interview 18).

employees. For instance, the goals and growth are handled by Business Navigation, key activates by SDs and supply by the SM. The DCM mean that they never meet all together to discuss collectively but instead it is done separately. Personally, the DCM think Sourcing Assignment should be kept together as a uniform document and discussion because the value is lost if it is split up too much. BA Lighting's approach is not perceived as especially smart by the DCM even though it was a way for BA Lighting to make Sourcing Assignment faster this year. Another alarming concern for the DCM is that the growth plan is not discussed within the group anymore. It is in the document appendix but not lifted as a discussion point during meetings. The DCM state it is crucial to understand the reasoning behind the numbers, not just take them for granted. The DCM want to know underlying changes motivating the numbers, the trends and market input to translate it to tactical and strategic category plans. Extra meetings have been called for by the DCM to discuss how to solve the problem with the non-integrated growth plan as well as improving the integration across functions within the Sourcing Assignment concept.

To the DCM, Sourcing Assignment is viewed as a tool that business teams within the category should use to develop the supplier base by synchronising between the APLs. Also, many SDs in BA/HFB has expressed a wish to become more involved in developing the category plan and supplier landscape. The DCM mean that SDs should see Sourcing Assignment as their tool to connect range possibilities with supplier base development, i.e. a more proactive approach. In that way SDs get an opportunity to affect how Category 20 work with suppliers. Today the category mostly points out their existing supplier possibilities to BA/HFB instead of BA/HFB requesting required supplier capabilities for their planned range. The DCM desire a more active involvement, and Sourcing Assignment could be used for it. So far, the document has not managed to live up to the business teams' expectations nor increased the BA/HFB involvement to improve the supplier base.

"I had a workshop with my business teams around the world which had a lot of input that BA/HFB and category is misaligned. I tried to explain that Sourcing Assignment is a work tool where we can synchronise our APLs, i.e. what we want to do with our suppliers and HFB's products...because that is probably what the purpose is with Sourcing Assignment, to connect the APLs...They [the business teams] did not think that we do it and they do not see that the work we do with Sourcing Assignment help them driving the supplier base. In fact, Sourcing Assignment should create a common viewpoint on how the supplier base can be developed. We have not come to that point and I think we still try to figure out how to cooperate. The business teams are waiting for that to happen...when we had the workshop with our business teams I looked at the year cycles...the BAs have a 2-year cycle while we have a 1-year cycle on the APL which mean that our actions can in a worst case take 3 years before being implemented, unless we are good at driving Sourcing Assignment. Actually, Sourcing Assignment is the tool where we can tie together the year cycles for SDs [in BA/HFB] and business teams [in category] in a clear way. It was not specified like that from the beginning but it is a work tool where we can ensure that the two is aligned. At least it has become like that for us [between BA Lighting and Category 20]." (Interview 18)

Another interesting remark regarding how Category 20 see Sourcing Assignment is that the document has moved from tactical/strategic horizon to more operational focus. It is a consequence of moving the originally intended tactically focused document, planned to be done

prior to the HFB APL process, to after the HFB APL is finalised. Hence, it connects the APLs and a major part of documents concerns short-term, at least between BA Lighting and Category 20. Furthermore, the DCM identify it as a problem that people do not dare to take responsibility and commit to what is written in the document. A clearer ownership and accountability of the document is desired. When doing follow-ups, it becomes apparent. Both this year and last year the SCM has delegated the Sourcing Assignment work to SDs that want a bit extra responsibility. SDs then drive the process but the DCM mean that the SDs do not feel accountable for the content. The SDs feel responsible to create the document and book meetings but do not take accountability for the results that follow within the agreement. Consequently, agreements become weaker and follow-ups have not been that clear according to the DCM. Due to the short-term focus in Sourcing Assignment a very strict principle was followed on follow-up meetings. If an action had not been taken in 6 months on a key activity, which was expected to have an action, it was simply removed from the agreement as it was obviously not prioritised as important by either the BA/HFB or category.

4.1. Summary table

The interview with Category 20’s DCM captured, either directly or indirectly, several good examples, potential problems and implications for desired way of working related to the Sourcing Assignment process and document as well as the cross-organisational interface, governance and practicalities, and other related processes and documents. See *Table A.20* for a summary compiled by the author.

Table A.20: Summary of comments regarding good examples, problems identified and desired way of working.

Good examples
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • Category 20 met 2-3 times with BA Lighting and did follow-ups • Preventative measures taken by calling for extra meetings to better integrate all functions/employees and relevant documents within the Sourcing Assignment framework <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • Very clearly defined key activities (however a consequence of short-term focus)
Potential problems identified
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • Learnings from previous year not transferred to improve way of working this year • Sourcing Assignment has low priority • SDs see it as something delegated from the SDM/SCM they must do – purpose/benefit not recognised • SDs only take responsibility to create the document and book meetings, not for the following results • Sourcing Assignment seen as the tool to connect the APLs – original intention with Sourcing Assignment is not followed anymore • CM/DCM discuss with SDs and not the SCM – has it led to short-term focus and lack of accountability? • Sourcing Assignment does not help business teams drive the supplier base as originally intended <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> <ul style="list-style-type: none"> ▪ Potentially discussions only done outside Sourcing Assignment if time is not prioritised for it ▪ Mostly category that show current supplier base possibilities to BA/HFB instead of BA/HFB proactively participating in developing supplier base capabilities for the planned range ▪ <u>Governance and practicalities:</u> <ul style="list-style-type: none"> ▪ Not clear how follow-ups should be done ▪ Very strict and short-term focus on follow-ups – if action not taken on key activity 6 months later it is simply removed/cancelled as obviously not important ▪ No clear process or integrated year cycle according to DCM <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • Lack of responsibility and commitment to what is specified in documents – partly a consequence of the work task being delegated to SDs • Current template is a bit too static • Has moved from a tactical/strategic tool to a more operational one • Document content not discussed collectively but split up and done separately – not a smart idea even though it is a way to do it fast for BA Lighting

Processes and documents related to Sourcing Assignment:

- Big organisational changes increase importance of Sourcing Assignment but make it difficult to be concrete in the documents
- BA/HFB prioritise the HFB APL in late spring instead – bad timing to do Sourcing Assignment?
- Misaligned year cycles in BA/HFB and category with different time horizon – overhanging risk of postponed implementation of category actions if not included in the current HFB APL
- Highly relevant content like growth plan not discussed collectively in meetings anymore

Implications for desired way of working**Sourcing Assignment process:**

- BA/HFB should ensure customer perspective is represented and should not be necessary to explicitly include in Sourcing Assignment
- Better preparation prior to meeting must be improved – lack of preparation is a general issue at IKEA
- Should be the work tool connecting the APLs – previously a tool to align the two has been missing
 - *Cross-organisational interface:*
 - Must keep Sourcing Assignment together as a uniform document and discussion, not split up and then merged afterwards as it is done today
 - Discuss bullet points in-between the official Sourcing Assignment meetings as otherwise too many people might be present at once to create the document – smaller meetings in-between is crucial

Sourcing Assignment document:

- Clearer ownership of the document and content – involved people must feel responsible for it
- Should not be too long – keep it short
- Short-term as a more integral part and focus of Sourcing Assignment is desired
- Not on a yearly basis but a living document looking 3 years ahead – more concrete here and now and less concrete in the future
- Must become a document with a clear advantage that help in daily work also after creation
- Best would be if Sourcing Assignment was not needed at all – alignment reached in corridor discussions and middle meetings
- Should be a document in which BA/HFB can become more involved in developing the supplier base

Case 5: BA Textiles and Category 16

Case 5 focuses on highlighting how BA Textiles has decided to work with Sourcing Assignments, i.e. both the process and documents. Besides the BA/HFB perspective, category comments on Sourcing Assignment from Category 16 are presented. See *Figure A.13* for an overview of Case 5.

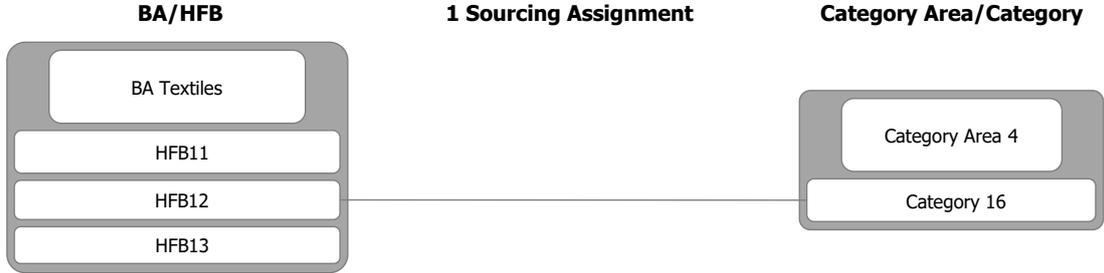


Figure A.13: Overview of Case 5 that interviews cover.

1. Sourcing Assignment case context

BA Textiles has relations with 19 categories and the aggregate BA Textiles notified purchase value in FY16 amount to around EUR X billion. 3 categories, which correspond to 16% of the relations, exceed 5% share within BA Textiles and account for 90% of total notified purchase value in BA Textiles. The other 16 categories account for less than 10% in BA Textiles. 5 categories exceed 5% share from a category perspective. Category 10, Category 13, Category 16 and Category 17 work almost exclusively with BA Textiles within IKEA. Looking strictly at the 5% share as no-go criterion in BA Textiles yield 5 different categories that Sourcing Assignment should be done with. BA Textiles currently has Sourcing Assignments in place with only one category, namely Category 16. Sourcing Assignment discussions have occurred with the applicable categories but only one resulted in a formal document. The 5% no-go criterion is therefore considered but not reflected in the number of formal Sourcing Assignments in place. See *Table A.21* and *Figure 1.3* for an overview of BA Textiles’ category relations.

Table A.21: Overview of BA Textiles' relations with around 19 categories and Sourcing Assignments.

BA Textiles				
Category	Value* (t€)	Category in BA**	BA in category***	Sourcing Assignment?
Category 13		45,7%	88,6%	<input type="checkbox"/>
Category 10		23,1%	82,6%	<input type="checkbox"/>
Category 16		21,7%	96,8%	<input checked="" type="checkbox"/>
Category 17		3,9%	100,0%	<input type="checkbox"/>
Category 22		1,6%	3,5%	<input type="checkbox"/>
Category 21		1,6%	14,4%	<input type="checkbox"/>
Category 27		0,6%	1,7%	<input type="checkbox"/>
Category 15		0,6%	3,7%	<input type="checkbox"/>
Category 23		0,4%	1,5%	<input type="checkbox"/>
Category 5		0,2%	4,1%	<input type="checkbox"/>
Category 19		0,2%	0,7%	<input type="checkbox"/>
Category 14		0,1%	1,4%	<input type="checkbox"/>
Category 7		0,1%	0,3%	<input type="checkbox"/>
Category 11		0,1%	0,2%	<input type="checkbox"/>
Category 34		0,0%	0,2%	<input type="checkbox"/>
Category 28		0,0%	0,1%	<input type="checkbox"/>
Category 33		0,0%	0,0%	<input type="checkbox"/>
Category 3		0,0%	0,0%	<input type="checkbox"/>
Category 29		0,0%	0,0%	<input type="checkbox"/>
		100,0%		
* Colour coded notified purchase value in FY16 with scale going from 0% (white) to 100% (black), i.e. black is total value ** Category % share in BA (green cell means over 5%) *** BA % share in category (green cell means over 5%)				

2. Sourcing Assignment process⁶² (BA Textiles' current way of working)

The no-go criterion of 5% share either way give around 5 categories for BA Textiles to establish Sourcing Assignments with. In spring 2016, the ambition was to create Sourcing Assignments with 4 out of the 5 categories. However, only one documented Sourcing Assignment was managed with Category 16. Interestingly Category 15 has been added to the Sourcing Assignment wish-list for 2017 due to shared sustainability agenda on polyester. This is done even though the category has very limited impact, i.e. under 5% share in both directions. The meetings held in 2016 took place around May, i.e. quite late compared to the original work method. This year, even though Sourcing Assignment meetings were booked in November 2016 they appear first in w.13-14, i.e. end of March/beginning of April. For BA Textiles, the documents are not viewed as the most important thing, rather the structured information exchange taking place with categories. Ironically previous year's meetings led to information overload as PowerPoint presentations up to 120 slides was presented toward categories. With 3 out of 4 categories the PowerPoint presentation and discussions about content became non-documented Sourcing Assignments. Basically, majority of BA Textiles' Sourcing Assignments remained as meeting notes and information stored in meeting attendees' minds. Notes were not written down collectively and explicitly specified as actionable topics or agreed actions together. The SDM mean that categories still do have takeaways from meetings in the form of actions they can take but that there is an important difference between notes and actions. No Sourcing Assignment follow-up meetings

⁶² From BA Textiles' perspective toward categories based on interview with the SDM (Interview 7) and a SD (Interview 8).

took place in autumn 2016. It is not considered too problematic for the SDM as such follow-ups are continuously done with categories in other informal meetings throughout the year.

“It is not like we do not meet at all. We meet whenever it is required but we do not call it a Sourcing Assignment meeting. At least it did not happen last year but I am sure it will happen this year...If we do not follow-up we will lose the essence of having Sourcing Assignments and it becomes another document in the drawer, nothing more...” (Interview 7)

In 2016, it was primarily the SDM that handled everything, i.e. invited for and organised meetings, created meeting agenda and prepared content, and more generally had to get everybody on board. For the SDM, it was very time-consuming because useful content must be created. The task was handed over to the SDM from the SCM. In 2017, BA Textiles has decided that SDs will take the lead for Sourcing Assignments instead. The meetings are viewed as an excellent opportunity to get all relevant stakeholders from BA/HFB side and category side into the same room. Hence, Sourcing Assignment is appreciated as it brings people together that would not normally meet. The SDM even state that it was the first time that the stakeholders sat together talking that much in detail with each other. As a minimum the CM, Deputy CM and CSSs were invited from categories. Business Leader, SCM, SM, SDs and SDM represented BA Textiles as minimum. The SCM state that it was around 10-12 people sitting together for a whole day in 2016. Some present content and some only listen. With some categories, up to 3 meetings somewhat related to Sourcing Assignments, either directly or indirectly, were held. However, mostly it was just one dedicated Sourcing Assignment meeting. The SDM mean that it was mostly talk about activities in a 2 to 3-year time frame, i.e. the tactical horizon. Content brought up at the meetings concerned e.g. HFB BPLs/APLs, growth plans, category BPLs/APLs, CC presentation, quality presented by EQR, Range Plan etc. Meetings were structured a bit like a funnel model, i.e. specificity increased by time. The SDM admit it was very extensive material covered but that it established a good platform at that point in time which helped bringing BA/HFB and category closer.

The major problem BA Textiles encountered was that the shared information was not funnelled down to a more category specific and concise format. Even though a whole day was devoted it resulted in information overflow and time issues. It was only with Category 16 that a document was done, resulting in an extensive 25-page Sourcing Assignment. As BA Textiles works closely with a limited number of categories a new Sourcing Assignment meeting setup has been outlined for this year. For example, with one of the biggest categories in BA Textiles, Category 10, a one-day meeting will be held. With the biggest category, Category 13, Sourcing Assignment meetings will be arranged on two separate days since significant share is allocated to two HFBs, i.e. it will be one day per HFB. With smaller categories, like Category 17, a half-day Sourcing Assignment meeting is arranged. The learning from last year's sessions was that they focused way too much on BA Textiles sharing information to categories than a mutual dialogue. It basically became a very long wish-list from BA to category and not a two-way traffic. The SDM estimate that the agenda was 85% about BA/HFB presenting while the remaining 15% was given to categories in 2016.

BA Textiles has reflected on last year's way of working and some changes has been made. For example, the interviewed SD has become responsible to develop a much shorter Sourcing Assignment template which explicitly asks for desired category input. Another major problem for BA Textiles is the material innovation agenda and the ownership of it. A better alignment between material innovation and categories is desired by BA Textiles since if a new material is discovered and no supplier base exists it will be useless and impossible to use in products. Therefore, it is lifted both in the new document template and meeting agenda. This year, the meeting agenda will also be much more well-balanced with the aim of ideally a 50/50 split in presentation time and content. The SDM mean it would still be acceptable if it is 60/40 in favour for the BA. BA Textiles' Sourcing Assignment meeting agenda for 2017, for a one-day meeting lasting from 8:30 until 16:00, contain the following sections and topics:

- Purpose and expected outcome
- Input from BA/HFB
 - Cover bigger topics, HFB BPL and goals, Performance update, Key business issues, Change drivers, Growth drivers, Make room for life, Quality, Sustainability, Material innovation agenda, Competence and people implications etc. (*Business Leader lead*)
 - Range development and APL input (*SD lead*)
 - Growth matrix including 5-year growth plan (*SM lead*)
 - Commercial (*Commercial Manager lead*)
- Input from categories
 - Cover bigger topics, KPI performance update, BCP and capacity scenarios, Running projects in category connected to HFB and material innovation, New supplier landscape and supplier classification, Competence and people implications, update on NEWS, MOVES and IMPROVES, Supplier update and suppliers deviating from promises, Capacity commitment, Need of investment, Shift in material technology etc. (*CM lead*)
- Recap and agree on next steps

The SDM raise a concern about the APL processes, even though not directly related to Sourcing Assignments. BA Textiles means that it is extremely important to gather category input in-between the HFB APL process ending in w.15, not just hand over a finalised document to categories. Therefore, two new approaches have emerged to handle such dialogues with categories this year, see *Figure A.14*. The first approach builds on a continuous dialogue with categories throughout the HFB APL process. Product engineers and technicians from categories together with CMs are invited to take part in HFB APL meetings and discussions lead by POD teams throughout the process. It is done since product engineers are the people that will deliver new product introductions set by BA Textiles. The other approach involves CMs in the very end of the HFB APL process, just prior to finalisation. Based on input from CMs the HFB APL is revised and realigned before the final version is presented to management. BA Textiles see this as two different ways to involve categories to gather valuable input and strengthen the dialogue. The SDM desire that the HFB APL process and the category APL process should be better aligned than today. The underlying reason is that the HFB APL focus too much on new product introductions. If categories want to make changes to products, BAs/HFBs must allocate resources to make it happen and if not accounted for it will be postponed to the next fiscal year instead.

Also, products controlled by categories do not surface to a desired extent in the HFB APL, and consequently the SDM feel they must be done “with the left hand” as it is now. Hence, the increased category involvement initiative for 2017.

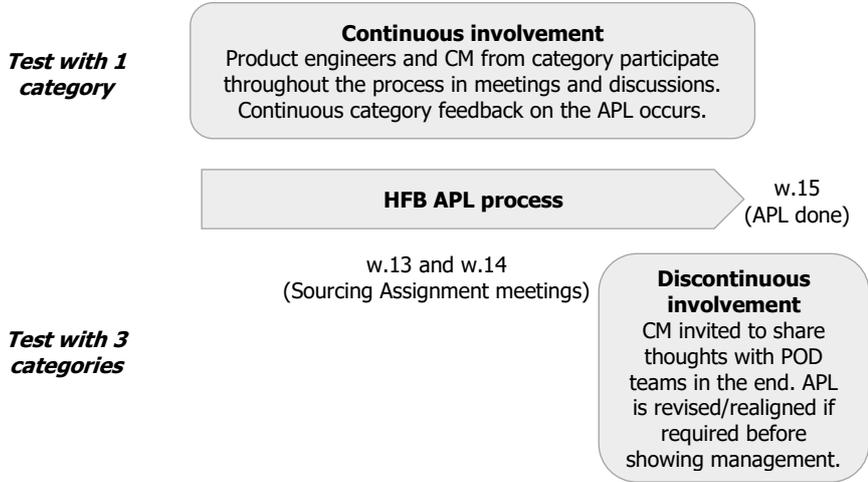


Figure A.14: BA Textiles two approaches to get category input prior to finalising the HFBs APL process.

2.1. Summary table

The interview with BA Textiles’ SDM and a SD captured, either directly or indirectly, several good examples, potential problems and implications for desired way of working related to the Sourcing Assignment process and document as well as the cross-organisational interface, governance and practicalities, and other related processes and documents. See Table A.22 for a summary compiled by the author.

Table A.22: Summary of comments regarding good examples, problems identified and desired way of working.

Good examples
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • High ambitions – try to include and squeeze out as much as possible in meetings <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> <ul style="list-style-type: none"> ▪ Appreciated meetings – brings together stakeholders rarely meeting otherwise ▪ Well-balanced 50/50 split for Sourcing Assignment meeting agenda introduced in 2017 ▪ Category under 5% to be included – shared sustainability agenda with Category 15 <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • BA Textiles learned a lot from previous year’s approach – SD creating new shorter document template better including category perspective and material innovation agenda – push categories to bring content <p>Processes and documents related to Sourcing Assignment:</p> <ul style="list-style-type: none"> • Initiative to increase category involvement in HFB APL process to improve the process – done to prevent the APL only being handed over to categories without reflecting category viewpoint
Potential problems identified
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • Very time-consuming to prepare useful content – extensive documents/presentations are lifted into Sourcing Assignment meetings without prior translation/re-work • Information overload – extensive amount of material covered • Potentially too ambitious – do not manage to create and conclude in Sourcing Assignment documents • No follow-ups – however continuously done but not labelled as Sourcing Assignment follow-ups <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> <ul style="list-style-type: none"> ▪ 85% BA/HFB and 15% category – a 1-way communication with BA/HFB heavily overrepresented ▪ SDM and SD do not think categories go into the internal BA folders at all – however possibility is there ▪ 5-year growth plans (down to product family/pieces/regional detail level) shared to categories but nothing received back as response to it ▪ Categories work mostly here and now while BA/HFB almost exclusively work on 2+ year horizon ▪ <u>Governance and practicalities:</u> <ul style="list-style-type: none"> ▪ Planning of Sourcing Assignment meetings must be done well in advance – always problematic to find a room and align the dates

<p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • Only one formal document established – Sourcing Assignment remain informal in most cases • Everybody wants to have everything on the piece of paper – too extensive documents created • Actions not written down collectively in Sourcing Assignments even though many things were concluded • SDM mean that notes are notes – not something actionable that you put your blood on, i.e. commit to <p>Processes and documents related to Sourcing Assignment:</p> <ul style="list-style-type: none"> • Ownership of material innovation agenda – no good interface exists to bring it in – SDM mean that material engineers sit in the basement – feels a bit disconnected/unknown
<p>Implications for desired way of working</p>
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • Extensive meeting attendee list kept this year – seldom everybody gets together in that way – make most out of the meetings once stakeholders secured – commercial will be present in 2017 • Potentially the extensive meetings are not the right forum to include Sourcing Assignments – devote separate meeting to ensure thorough documents are created? <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> <ul style="list-style-type: none"> ▪ Document is not the most important but structured exchange of information across the organisation is – come together in a room and discuss ▪ Taking the lead do not mean that only one part of the building or value chain shall do everything – 2-way traffic ▪ <u>Governance and practicalities:</u> <ul style="list-style-type: none"> ▪ Not necessary with internal third party reviewing/quality checking Sourcing Assignments – too messy <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • Need to agree on who will bring what – it is in the document but not necessarily structured properly • More standardised, i.e. harmonisation among ways of working – but as businesses are different documents must be treated differently • Do not only direct Sourcing Assignment toward CMs – broader so anybody in the organisation should have use of the document – SDM mean that only then can it become a very successful and useful tool • Talk tactical time horizon (2 to 3 years ahead) <p>Processes and documents related to Sourcing Assignment:</p> <ul style="list-style-type: none"> • Better alignment of HFB and category APL processes – good idea with category APL process starting after January councils as well – bring in some input to the broader HFB APL • Strengthen relation between category and material innovation

3. Sourcing Assignment document content exemplified

Majority of content covers the BA/HFB viewpoint, as much as 85% according to the SDM. To trigger categories contributing with more content a section is devoted to category input in the new document template created by the SD. It is mostly the same information outlined as category input in the meeting agenda. As only one Sourcing Assignment document has been done it is the one reviewed here. The scope of the Sourcing Assignment with Category 16 specifies product areas and product segments.

BA Textiles' Sourcing Assignment document, i.e. the long version, contains the main headings and sub-headings presented in *Table A.23*. Within the essential part, i.e. under the main conclusions heading of the Sourcing Assignment document, it is stated that “*below conclusions are specific and actionable*” as a reminder. See *Appendix 3* and *Table C.5* for exemplified formulations of agreed *main conclusions* quoted from the document.

Table A.23: Headings and sub-headings in BA Textiles' documents (IKEA, 2016E).

<p>Introduction</p> <ul style="list-style-type: none"> • Purpose • Scope • Document storage location • Routines regarding revision and updates
<p>Current performance</p> <ul style="list-style-type: none"> • General update / HFB scorecard • Purchase price development • Growth • Profitability • Quality • Availability

<ul style="list-style-type: none"> Logistics (on time delivery and stock weeks) Sustainability
HFB business plan
<ul style="list-style-type: none"> Key business issues (<i>Supplier landscape, Uniqueness, Quality, Easy buying easy selling, New needs in life at home, Sustainability</i>) Change drivers Growth drivers
Category inputs (<i>new section for 2017</i>)
<ul style="list-style-type: none"> Running projects in the category connected with HFB and material innovation Shift in technology and materials New supplier landscape and supplier classification focus on development Quality Competence and people implications Capacity commitments update performance on existing Update on NEWS, MOVES and IMPROVES
Growth grid / Range development NOW-FY20 (<i>put in appendix 2017</i>)
<ul style="list-style-type: none"> (<i>Where are we today? Where do we want to go?</i>) Main conclusions connected to growth grid and range developments
Growth plan FY16-FY18 (<i>put in appendix 2017</i>)
<ul style="list-style-type: none"> Heading X (<i>Status, Actions moving forward</i>)
Sourcing Assignment main conclusions
<ul style="list-style-type: none"> Sourcing wished position Flexibility Capacity commitments Supplier base Material and technique development Product improvement potentials Sustainability
Appendixes
<ul style="list-style-type: none"> Growth plan Capacity vs need Category KPI map HFB goal sheet Business overview in sales and quantity Preliminary APL Commercial priorities Important links (<i>New development process, Category BPL, HFB BPL executive summary, Sourcing Assignment presentation, Supplier level capacity overview, Detailed growth figures for category</i>)

4. Category 16 comments⁶³ on way of working

Category 16 allocates 96,8% of its business to BA Textiles. The Sourcing Assignment dialogue has been 1:1 between the CM and a SD in BA Textiles. The discussion was initiated by the SCM but the CM saw that the SCM was overwhelmed with many other things at the time. Sourcing Assignment was then scaled down to the SDM and further to a SD. It is not perceived as a problem that the main speaking partner in BA Textiles has been a SD and that other important internal stakeholders has been absent from the dialogue. It has been a two-way communication which was initially triggered by BA Textiles. Around 1 to 1,5 years ago in 2016, BA Textiles presented a first draft version which the CM gave input to. The CM means that it was the first draft ever and nobody really knew how Sourcing Assignment should look like at the time. Basically, the first version given to the CM was a PowerPoint presentation which was a copy of the BPL with a few extra slides added to it. The CM insisted it was not a Sourcing Assignment and after some time a SD approached with a professional Word document. This year the Sourcing Assignment handshake has been postponed compared to original plans as BA/HFB asked for more time. Consequently, the Sourcing Assignment handshake will be done after the HFB APL is finalised instead. For the CM, Sourcing Assignment does not contain any surprises not known

⁶³ Based on interview material with the CM for Category 16 (Interview 19).

prior to creating the document. It just settles what has already been understood and agreed in the cross-organisational interface.

Categories are in a unique position to have eyes and ears open and capture possible opportunities to develop new products, techniques or materials. Basically, categories give SWOT input to BA/HFB in September which then, together with SWOT inputs from all other parts of the value chain, is accounted for in the HFB BPL and then sharpened in the HFB APL. The Sourcing Assignment document come about as a summarising or translating document around the time when the HFB APL is created and finalised. The CM view Sourcing Assignment as the input back to categories from BA/HFB. Basically, Sourcing Assignment is worked on in parallel to the HFB APL which specify products to be developed together with rough estimates of for instance materials and production techniques. At the time, BA/HFB know in very general terms what they need from the category, for instance materials requiring more knowledge and discontinued materials, expected capacities or volumes and desired price levels etc. Also, since the HFB BPL, HFB APL and Sourcing Assignment are yearly processes the direction from year to year only change slightly and each year become a continuation or finetune of previous plans. The CM perceives it as crucial that the category and BA/HFB manage to speak the same language through the Sourcing Assignment. However, it is rather difficult due to the very different nature of how category and BA/HFB work. For instance, since the category is responsible for the capacities and suppliers it becomes the CM's responsibility to ensure compliance, i.e. that still valid supplier commitments are fulfilled. This must be followed even though BA/HFB suddenly want to stop a certain product family or material in Sourcing Assignment.

“There is a fundamental difference between category and BA/HFB. Our [the category] performance, day-to-day discussions and key focus is based on the supplier base. We are responsible to bring products to the store, have good quality, price development etc. We are divided into segments and organised around the best possible way to deliver this...the BA/HFB responsibility is very different. They need to connect what the retail wants with what the suppliers can do. They are connectors. That make their language very different. When we speak about an APL in the category we speak about an APL for each individual supplier. When BA/HFB speak about an APL it is about what products they are going to develop. Sourcing Assignment needs to connect these two different perspectives. When I say connect I am mainly referring to speaking the same language, i.e. translate the needs of the BA/HFB into the language that the category will understand...” (Interview 19)

“When BA/HFB present their APL to me, they say, ‘We want this, this and this for FY18 and we are going to do these products for FY19, FY20 etc.’. I am looking at it and saying, ‘Hang on are you going to implement this technique in FY20? We have it already and it is ready for you...’. Then they say, ‘Okay we change it’, and we do it earlier instead. Then they want a technique and material in FY18 and I say, ‘Sorry we are not ready’ and they respond, ‘Okay we move it to FY20’. Just like that...if they want X and I tell them we have it ready today BA/HFB say ‘Okay’ and if I tell them I have it ready 2025 they say ‘Okay’. I want more clarity, when is it? Because they are very flexible in their plans...I mean is it really a priority? I am not asking BA/HFB to tell priorities and when to be ready on everything, I just want to understand what you can compromise and what you cannot compromise.” (Interview 19)

The CM means that Sourcing Assignment has been a major improvement in bringing category and BA/HFB closer together by starting to speak the same language. However, it is difficult to judge for the CM since no Sourcing Assignment existed in the past and the CM means that there is no baseline to compare to. The document is not explicitly on the table when sitting down and discussing cross-organisationally. Hence, follow-ups are not done in a structured way. The CM mean that it is not as formal as a BPL since the HFB BPL and category BPL must be presented to top management while Sourcing Assignment is just a handshake between two colleagues representing two organisations. According to the CM there has not been any special problems or things that worked particularly well in the Sourcing Assignment process or document. The CM states that he does not want to judge it as either good or bad, but rather as a work in progress that is improving. However, a concern is raised that the detail level is often lacking. For example, if BA/HFB want a low-cost sustainable material the CM as minimum want to know whether it is e.g. lyocell, recycled polyester or biopolymers and what price range an affordable cost is.

“Do we have the detail level that we wish for? No. The nature of developing new products means that you do not know what it is. Speaking about X we know that BA/HFB want a sustainable low-cost X. But what is it? I mean it can be anything...we want as much details as we can get and many times BA/HFB cannot provide those details that we need. That is a reality. If you cannot define what you want, you can perhaps define what you do not want. That could be something to think about. It is a way to sharpen the scope...Another thing that really create difficulties for us to prioritise are the deadlines. Let’s say we need to deliver 10 things in the Sourcing Assignment. Which one is more important, when do they need to be ready and for what reason? It is not enough that BA/HFB tell me, ‘We need X’. I would also like to know when you need them, what price range we are speaking about, that kind of detail level...That is sometimes missing. I mean we are moving on all of them [the agreed actions] at the same time, but it is difficult when you have resources to manage. It is difficult to prioritise. This is a challenge. If BA/HFB were to tell us this is priority one, two and three, and the deadlines are this, this and this. Then it is black and white...” (Interview 19)

4.1. Summary table

The interview with Category 16’s CM captured, either directly or indirectly, several good examples, potential problems and implications for desired way of working related to the Sourcing Assignment process and document as well as the cross-organisational interface, governance and practicalities, and other related processes and documents. See Table A.24 for a summary compiled by the author.

Table A.24: Summary of comments regarding good examples, problems identified and desired way of working.

Good examples
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • CM bring in the agreements in the succeeding category management meeting – do not stay with CM <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> <ul style="list-style-type: none"> ▪ Has led to a major improvement in the dialogue to start speaking the same language ▪ <u>Governance and practicalities:</u> <ul style="list-style-type: none"> ▪ Year cycle and purpose perceived as clear to the CM <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • CM insisted the initial PowerPoint version was not a proper Sourcing Assignment – was redone and a thorough document was established from the start • Normally no surprises in the agreements – imply already well aligned in the continuous dialogue and a formalisation of the current way of working

Potential problems identified

Sourcing Assignment process:

- Main contact has only been with a SD – other important internal stakeholders not involved
- Diminishing importance/priority? – quickly delegated from SCM to SDM to a SD
- No creation meeting when doing the first Sourcing Assignment – a draft handed over from BA/HFB to category – become a 1-way handover instead of a balanced 2-way dialogue?
- No formal follow-up – did not look at previous draft – lack of structured approach
- CM travels a lot – difficult to find time to meet face-to-face
- CM cannot think of anything working particularly good (or bad for that matter) with process/document
- No formal meeting planned/arranged during spring 2017
- Sourcing Assignment handshake postponed until after HFB APL finalised, imply bad timing
 - Cross-organisational interface:
 - Document not on the table when sitting down
 - Governance and practicalities:
 - No governance structure exists like for HFB BPL and category BPL presented to top management

Sourcing Assignment document:

- Content only specified in very general terms – too much room for interpretation?
- No prioritisation for agreed actions
- Lack of clear deadlines when actions are wanted
- Just a document settling prior understandings/agreements already known – what is the value-add?
- Not a desired level of details – due to BA/HFB simply not knowing
- Not an inspirational document triggering thinking (however idea generation has already occurred via the September input sessions)
- Overhanging risk that first document version is substandard unless quality is somehow guaranteed – compare with BA Textiles first PowerPoint version

Processes and documents related to Sourcing Assignment:

- Sourcing Assignment as a parallel process to the HFB APL – lack of integration?
- BA/HFB are way too flexible in their APLs – can easily change/compromise a few years here and there
- Two very different scope on how category and BA/HFB work in general – difficult with same language
- Conflict in way of working by nature, BA/HFB want open/wide while category detailed/specific
- BPL sharing meetings not communicated to be related to Sourcing Assignment – still seen as the heart of the discussion – Sourcing Assignment as a bi-product somewhere down the road

Implications for desired way of working

Sourcing Assignment process:

- Connect the two APL perspectives for category versus BA/HFB
- Not problematic to maintain the 1:1 dialogue with SD instead of e.g. SCM if maturity/competence exist
- To involve more people is dependent on a case-by-case basis – CM is correct, BA/HFB people depends
 - Cross-organisational interface:
 - Speaking the same language via Sourcing Assignment – translate needs of BA/HFB to the language the category understands
 - Should not be one way of working in the building – what works good for someone is not necessarily good for another person – a certain level of common sense/freedom to find the best way to deliver
 - Governance and practicalities:
 - Generally, a bit more formality and clearer year cycle is good – however must find the right balance
 - A proper follow-up is desired
 - Good that individuals in the process secure quality not an internal third party

Sourcing Assignment document:

- Good template as it is today and headings used are relevant – a clearer template how to formulate agreed actions is wanted – clarify priorities, deadlines etc.
- Seen as the input back to the category from BA/HFB (category give SWOT input to BA/HFB)
- Not more bureaucratic but perhaps a bit more formalised – should be uncomplicated
- Should become a more living document
- A document explaining in e.g. 2 years' time to new BA/HFB colleagues why category took certain actions
- Must safeguard supplier commitments within category are not overruled

Case 6: BA OSOF, Category 15 and Category 27

Case 6 focuses on highlighting how BA OSOF has decided to work with Sourcing Assignments, i.e. both the process and documents. Besides the BA/HFB perspective, category comments on Sourcing Assignment from Category 15 and Category 27 are presented. Category 22’s comments are placed in connection to BA LWR in Case 1 instead but are still relevant for the case. See *Figure A.15* for an overview of Case 6. Note that HFB20 is excluded from the case.

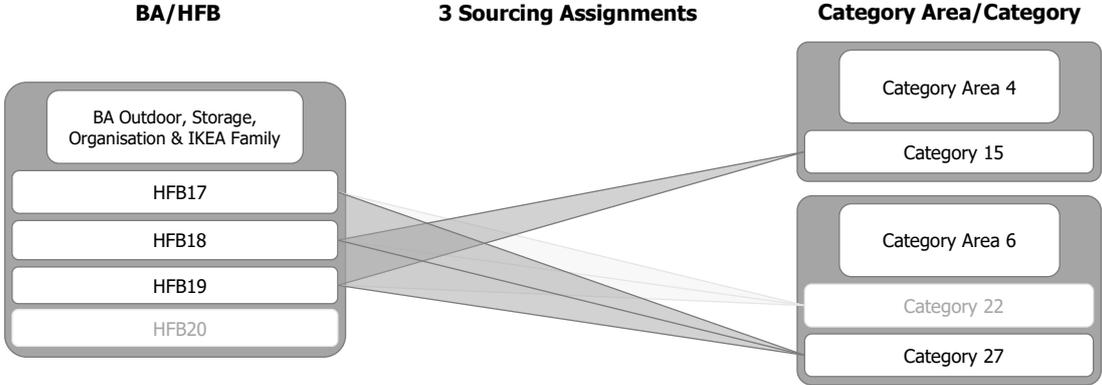


Figure A.15: Overview of Case 6 that interviews cover.

1. Sourcing Assignment case context

BA OSOF has relations with 21 different categories and the aggregate BA OSOF notified purchase value in FY16 amount to around EUR X billion. 7 categories, which correspond to 33% of the relations, exceed 5% share within BA OSOF and account for 85% of total notified purchase value in BA OSOF. The other 14 categories account for less than 14% in BA OSOF. 8 categories exceed 5% share from a category perspective. Looking strictly at the 5% share as no-go criterion in BA OSOF yield 8 different categories that Sourcing Assignment should be done with. BA OSOF currently has Sourcing Assignments in place with 9 categories. The proposed no-go criterion of 5% is followed strictly and one category just below 5% in both BA/HFB and category is included in Sourcing Assignment. See *Table A.25* and *Figure 1.3* for an overview of BA OSOF’s category relations.

Table A.25: Overview of BA OSOF's relations with around 21 categories and Sourcing Assignments.

BA Outdoor, Storage, Organisation & IKEA Family				
Category	Value* (t€)	Category in BA**	BA in category***	Sourcing Assignment?
Category 27		21,0%	33,1%	■
Category 15		16,7%	58,2%	■
Category 22		16,1%	19,6%	■
Category 3		15,1%	28,3%	■
Category 7		6,4%	9,6%	■
Category 5		5,8%	56,8%	■
Category 8		5,1%	42,1%	■
Category 1		3,3%	1,2%	□
Category 21		2,9%	14,8%	■
Category 2		2,3%	2,1%	□
Category 10		2,2%	4,5%	■
Category 19		1,8%	3,8%	□
Category 23		0,9%	2,1%	□
Category 6		0,2%	0,9%	□
Category 28		0,1%	0,9%	□
Category 13		0,0%	0,1%	□
Category 25		0,0%	0,1%	□
Category 24		0,0%	0,4%	□
Category 4		0,0%	0,4%	□
Category 32		0,0%	0,0%	□
Category 16		0,0%	0,0%	□
		100,0%		
* Colour coded notified purchase value in FY16 with scale going from 0% (white) to 100% (black), i.e. black is total value ** Category % share in BA (green cell means over 5%) *** BA % share in category (green cell means over 5%)				

2. Sourcing Assignment process⁶⁴ (BA OSOF's current way of working)

BA OSOF created 9 Sourcing Assignments in 2016 and followed the 5% no-go criterion quite strictly. The SDM mean that it is necessary to be loyal toward smaller categories allocating significant shares to the BA and hence the category perspective is considered. BA OSOF see themselves as the gearbox or bridge between range sold to customers and supply in categories by talking both languages, see *Figure A.16* for an illustration of the metaphor. For the SCM, the biggest winning with Sourcing Assignments is that it forced the two organisational parts to sit down together and meet. The Sourcing Assignment meeting agenda closely follows the document table of content, which basically was put on the screen and gone through together. For BA OSOF, Sourcing Assignments formalise the current way of working so that agreements are kept on track and do not diminish within IKEA by time, which otherwise easily happens. The SDM mean that the administratively heavy Sourcing Assignment do not reflect how IKEA usually work. Rather it reflects how IKEA would like to work, i.e. a bit more formalised and structured. It acts as a small framework for categories regarding what directions they should plan for and work toward. Also, the SDM mean that it can help if it becomes necessary to confront someone regarding deviations from agreements, for instance the CM. Another benefit is that documents can be used to brief new employees to give a glance of ongoing work for certain BA/HFB and category relations.

⁶⁴ From BA OSOF's perspective toward categories based on interview with the SDM (Interview 5) and SCM (Interview 10).

BA OSOF see the spring session as the time to hand over the BPL to categories. Besides the Sourcing Assignment meeting, entire Category Areas are met, for instance Category Area 2 and Category Area 6. A collective session is held in the morning, when BA OSOF present information for its four HFBs, and in the afternoon each category gets individual time to discuss category specific implications. This year these BPL sharing meetings take place around w.16-17. In 2016, it was a bit earlier around w.10-12. The postponement is a conscious move from BA OSOF as the HFB APL finish in w.17. Sourcing Assignments are done around this time as well, between w.15-23, since more specific information will be known from BA side, consequently leading to more depth in discussions. The autumn session is the time to collect category input according to the SCM, both for the HFB BPL and APL. The APL alignment meetings initiated by categories has taken place between w.5-10.

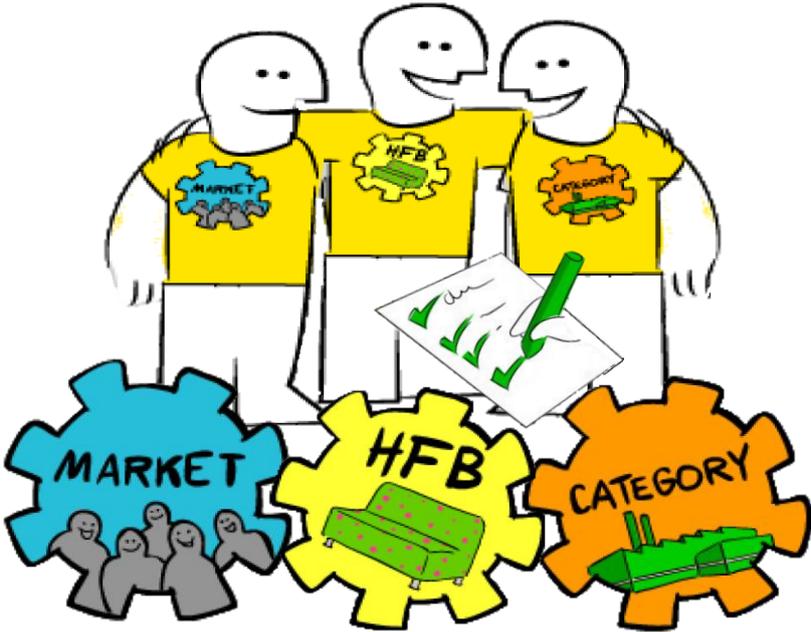


Figure A.16: BA OSOF, via HFBs, as gearbox/bridge between the market and categories by talking both languages.

The SDM was the one driving most of the work related to Sourcing Assignments in 2016 as it was delegated by the SCM. That the SDM became responsible for handling the Sourcing Assignment process was a conscious decision as BA OSOF felt the concept was not fully worked through. In the start-up phase of the process the SDM collected lots of data, funnelled down sales information, played around with numbers, e.g. the top 5 families, and pinpointed some chronic problem areas with categories, e.g. surface treatment to prevent rust on outdoor furniture. POD teams were also consulted. Profitability, i.e. where money is made and where potential exist, were also identified. After an initial overview was appearing of the current business position it was structured in an appealing way, for instance using supportive graphs. Of course, much of the data is already worked through in other processes like the HFB BPL, outlining IKEA’s main strategic direction for various BAs/HFBs, and it was a matter of recognising the relevant content for the SDM. Since the BPL is too extensive for categories to absorb in its entirety the SDM filtered out content from the sourcing part within the BPL to the Sourcing Assignments. Generally, discussions with categories quickly reached alignment regarding common goals. However, the main problem in meetings was to make agreed actions concrete and specific, e.g. with milestones.

The actions covered both operational questions as well as strategic ones, but sometimes BA OSOF's Sourcing Assignments contained much short-term actions of firefighting character.

The meeting frequency connected to Sourcing Assignments was at least 2 times with each category during 2016. This meant that BA OSOF arranged follow-ups with all 9 categories during the autumn and hence follow-ups are taken seriously. Small corrective actions were agreed on during follow-up meetings to better align with previously stated agreements in the long-term horizon. IKEA's KPI system was frequently used by the SDM to generate reports and extract data facilitating follow-ups, especially for fact-based parameters like price development or availability. However, only one category had done an own analysis in IKEA's KPI system prior to meeting for follow-ups. A more subjective interpretation was made on more intangible parameters like quality. The SDM feel that the responsibility was left too much within the BA during the autumn session, and the SCM estimates that the proportions were roughly 75/25, with BA OSOF contributing most. It is understandable for the SCM since categories are and has been in a messy situation with organisational restructuring. However, the view is that Sourcing Assignments is not strictly only 2 yearly meetings. Instead they only serve as checkpoints and instead it is the continuous relevant work on a day-to-day basis that Sourcing Assignments should capture.

"With some categories, the only contact throughout the year might be via the 2 Sourcing Assignment meetings. We work much closer with for example Category 15 and in that case, it might be 15 to 20 "Sourcing Assignment meetings" [even though not labelled as it] in a year...It can be called Sourcing Assignment if you want. Relevant meetings take place all the time." (Interview 10)

During spring 2016, SDs were not involved at all. However, SDs will be included much more in 2017 both in the data collection phase and document creation phase. The SCM mean that it can be a good idea to invite SDs and CSSs in Sourcing Assignment meetings to achieve more concrete agreed actions. The SDM's ambition is to let SDs handle Sourcing Assignments on their own once a more established process is in place. It is still considered important that the SDM and SCM are present at meetings to ensure that the focus remains on the tactical and strategic time horizon and that the correct detail level is kept. Discussions might risk becoming too operational and unnecessarily detailed if only SDs and CSSs discuss. BA OSOF has decided to not include Business Leader, Range Manager or EQR Manager. Instead they serve as interesting "guest players" that can be invited to meetings from time to time if relevant.

"SDs were not involved the first half-year which led to some internal frustration. Voices were raised questioning why SDs had not been involved as other BAs had done so. It is not the same thing to read a document with notes as having taken part in the meetings. The co-workers felt they wanted to take part as it became difficult for them to understand the documents. From the second meeting and onwards the SDs has started to be more involved." (Interview 10)

A main limitation for Sourcing Assignments is to find time in involved stakeholders' calendars, much due to all other parallel IKEA processes, Home Weeks, travelling etc. The SDM still feel that the output of Sourcing Assignments is rather high in relation to the time that is put into it.

Since documents became too lengthy in 2016 the ambition is to at least halve Sourcing Assignments this year. Further, the sourcing agenda between BAs/HFBs and categories has traditionally been strong at IKEA according to the SDM. However, range and material possibilities are always difficult to specify and agree on across the organisations. The SCM mean that IKEA must have a process and support organisation in place to ensure Sourcing Assignment quality. Furthermore, the SCM mean that without the process organisation in place it cannot be expected that SCMs and CMs solve it when put in a room together. Nothing will change unless Sourcing Assignment gets a clearer process role, e.g. with process owner, according to the SCM.

“This [Sourcing Assignment] is something that is mandatory, it is not an optional thing. It did not really exist space for it in the year calendar last year. It does not work as it is intended so it might be required that someone roars a bit about it or that it is done so good that people realise it is meaningful and necessary with Sourcing Assignments...It is better with lower ambitions to make it work since now it was more like aim for the stars but reach the tree tops. I think they [the concept creators] went into that trap and got an unfortunate start as people felt it was yet another process to deal with...” (Interview 5)

2.1. Summary table

The interview with BA OSOF’s SCM and SDM captured, either directly or indirectly, several good examples, potential problems and implications for desired way of working related to the Sourcing Assignment process and document as well as the cross-organisational interface, governance and practicalities, and other related processes and documents. See Table A.26 for a summary compiled by the author.

Table A.26: Summary of comments regarding good examples, problems identified and desired way of working.

Good examples
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • Follow-ups done with all categories – IKEA’s KPI system used to create and follow-up content in documents • Proportion between outcome and invested time is rather high according to SDM, i.e. relatively limited time put on Sourcing Assignment still yield valuable output • SDM happily put extra effort into it as he liked the idea <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> <ul style="list-style-type: none"> ▪ Understands the necessity to act as gearbox/bridge in the value chain by talking both languages ▪ Category perspective considered – loyalty shown to smaller categories
Potential problems identified
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • SDM mean focus is in the order of tactical, operational and strategic – risk losing focus on long-term if short-term actions of firefighting character are included • SCM mean that compared to zero it is a structured process – imply it is still unstructured • Categories rarely extract data from IKEA’s KPI system prior to meeting – imply categories are not well-prepared <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> <ul style="list-style-type: none"> ▪ Easy to reach alignment on common goals but hard to specify/concretise them ▪ Responsibility left a bit too much within BA OSOF ▪ Difficult to go in-depth into someone else’s calculations – problematic when redirecting in appendixes ▪ <u>Governance and practicalities:</u> <ul style="list-style-type: none"> ▪ Finding time in involved peoples’ calendars is a practical problem ▪ No space in year cycle – Sourcing Assignment meetings must somehow be squeezed in anyways ▪ Organisational restructuring has led categories to give Sourcing Assignment lower priority <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • Word template from status quo was too extensive resulting in lengthy documents initially • Hard to understand documents unless being present at the meeting where it was created • Difficult for categories to lay a complete puzzle of many Sourcing Assignments if document templates differ greatly – essential puzzle pieces might be missed out

<ul style="list-style-type: none"> • Sourcing Assignments are too broad – diverging rather than converging content – expectations on inputs from both sides not explicitly made clear <p>Processes and documents related to Sourcing Assignment:</p> <ul style="list-style-type: none"> • Entire BPL/APL cannot be absorbed by categories – must be converted to an appealing category specific format – not done already in the HFB BPL/APL processes except executive summaries • Generally unsynchronised IKEA year cycles – how to merge with Sourcing Assignment process? • Range and material possibilities is a constant struggle • Mixed materials are a major Achilles heel with the IKEA category organisation
<p>Implications for desired way of working</p>
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • Get a very simple process and document in place first – then use as inspiration when taking next step • Invite employees working outside sourcing and supply • Responsibility delegated to SDs – probably resulting in more concrete actions • SDM/SCM present to ensure correct time horizon and detail level in discussions on the meetings • Invited people are expected to have prepared well worked-through presentations – preparation is key • Remember to reflect and give credit to something carried out good when appropriate • Arrange spring session after both HFB BPL and APL are finished – more depth in discussions • Sourcing Assignment as something that happens continuously throughout the year – cannot cover a multi-billion EUR business in a few hours and be relevant, wrong interpretation of Sourcing Assignment <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> <ul style="list-style-type: none"> ▪ Categories should challenge BAs/HFBs more – not passively respond in a reactive way to BA/HFB needs ▪ Sourcing Assignment could be used as a reference guide to align expectations across the BA/HFB and category organisations ▪ Reinforce importance of alignment meetings outside Sourcing Assignments – lift it in documents ▪ Aim should be that Sourcing Assignment would not be needed at all – utopia scenario expressed by SCM – Sourcing Assignment process/document will always be needed – new people, new business ▪ <u>Governance and practicalities:</u> <ul style="list-style-type: none"> ▪ Fundamental that IKEA has a process organisation in place supporting Sourcing Assignments ▪ Give Sourcing Assignment a clearer status as an official IKEA process – demands time allocated for it (e.g. 2 or 3 days in certain months) ▪ Clarification that autumn session is led by categories ▪ Sourcing Assignments should be mandatory to do – not an optional process/document ▪ Keep meeting frequency of 2 times per year – not crucial when it is done ▪ Not desired with internal third-party quality checking – should be up to people in the process <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • Common document structure – less is more • Facilitates confrontation if deviations from agreement occur • A tool useful when briefing new employees • A steering document ensuring/facilitating internal communication between functions • A framework helping categories plan and steer toward an agreed future direction • Freedom in content and detail level, not the structure – prevent 'bureaucratic monster' • Emphasise headings – e.g. focus on price in spring and growth in autumn • Work with graphs – easier to communicate than pure text – highlight important parts with red markings • Capture trends – prevent snapshot of current performance • Both throwback and future-oriented part – majority concerning long-term • Include people aspect better in the sense of phone numbers, seat places in office etc. <p>Processes and documents related to Sourcing Assignment:</p> <ul style="list-style-type: none"> • Ideally Sourcing Assignment should be in place before HFB APL and category APL processes

3. Sourcing Assignment document content exemplified

Documents contain a lot of graphical content, e.g. screenshots from IKEA’s KPI system, rather than text. The SDM mean it is not a problem for categories to understand as they are very used to see similar graphs. To be extra clear, the important numbers are highlighted with red markings accompanied with a short descriptive or explaining sentence. Most of the graphs capture future trends, i.e. based on the past the direction in the coming years become more foreseeable in meetings. Some content is redirected to using hyperlinks as a balance between push and pull of information toward categories is strived for. In 2017, a much shorter document version is worked on and a few focus areas will be targeted while the rest is slimmed down. To get a better overview of the 9 Sourcing Assignments, BA OSOF has created a simple Excel-file capturing the actions, topics and projects to be highlighted within each document. For instance, parameters like quality, sourcing and supply, and range are considered and responsible persons are assigned, e.g. the SDM

and SCM are supposed to fill in the part about sourcing and supply. The follow-up meeting notes from the autumn sessions are simply written down in the end of documents.

BA OSOF's Sourcing Assignment documents contain the main headings and sub-headings presented in Table A.27. See Appendix 3 and Table C.6 for exemplified formulations of agreed actions quoted from documents.

Table A.27: Headings and sub-headings in BA OSOF's documents (IKEA, 2016E).

Introduction
<ul style="list-style-type: none"> • Purpose • Scope • General principles
Current performance of HFB
<ul style="list-style-type: none"> • General update • Purchase price development • Growth • Profitability • Quality • Availability • Logistics • Sustainability
HFB business plan (<i>referred to full BPL</i>)
<ul style="list-style-type: none"> • Wished position • Objectives • Change drivers • Growth drivers
Business calendar (<i>referred to full business calendar</i>)
Range development FY16-FY20 (<i>marked as to be added in some documents</i>)
Goal sheet (<i>referred to full goal sheet</i>)
Long-term demand plan FY16-FY20 (<i>referred to full LTP</i>)
Actions
<ul style="list-style-type: none"> • Capacity and suppliers • Total cost • Quality • Sustainability • Others • <i>Input from the category (material/technique development and innovation, new production technology)</i>
Follow-up (autumn run) meeting notes / Additional meeting notes
Appendix (<i>incomplete and only found in some documents</i>)
<ul style="list-style-type: none"> • <i>Performance update</i> • <i>Business plan HFB (executive summary)</i> • <i>Business council presentations</i> • <i>HFB sales and GM goals per PA (goals and growth plan)</i> • <i>Sales forecast on segment level NOW-2020</i> • <i>Risk for sales forecast deviation (tactical sales plan FY18 risk range)</i> • <i>Action plan for NEWS, MOVES and IMPROVES relevant for the category</i> • <i>Business calendar</i> • <i>Range development with SSD and UTG plan</i> • <i>Category business plans</i> • <i>Category council presentations</i> • <i>Action plans (to be added when ready)</i>

4. Category 15 comments⁶⁵ on way of working

Category 15 primarily work with BA OSOF and allocates 58,2% of its business there (73,4% including HFB20). BA CHD (15,4%) and BA B&B (6,4%) are also important relations for the category. Sourcing Assignments have been established with BA OSOF and BA CHD. When

⁶⁵ Based on interview material with the CM for Category 15 (Interview 12).

Sourcing Assignment was launched, internal coordination occurred between Category 15, BA OSOF and BA CHD to align document templates. Hence, the same template has been used in the two relations to avoid confusion. A simplified version of status quo is currently used which strive for simplicity and quality of information. The CM view Sourcing Assignment as a document that should be the foundation for further work in the category but the expectations on each other about what to include could be made clearer.

Sourcing Assignment was initiated by BA OSOF which approached with a pre-made document template that the CM gave input to. Overall the CM really like BA OSOF's approach, and for example agreed actions in Sourcing Assignment has led to joint projects. Basically, the two meetings arranged with BA OSOF led to agreements on overarching topics that then create the foundation for projects and other smaller meetings throughout the year. Projects founded in Sourcing Assignment can then be followed-up on successive meetings. Category 15 and BA OSOF already have a strong relation characterised by close dialogue. The CM state that nothing would change if Sourcing Assignment was removed today since the current BA/HFB and category relations already work well. Hence, the added value and quality of the document and meetings in the current format is questioned. Sourcing Assignment is perceived as a piece of paper or a formality which made BA/HFB summarise their goals. It did not make BA/HFB become more liable for what is written down. The CM feel that Sourcing Assignment has become unimportant compared to original ambitions and hence it is not even necessary for the CM to participate anymore as the CSS could handle it on its own.

“What is the difference between before and now? Before, I was getting the same information but not in a structured way. Today information is consolidated in one place and category has an opportunity to show possibilities to HFBs. Did Sourcing Assignment bring better connection? Not for us. We have had good connection before Sourcing Assignment took place. Did it bring more consolidated exchange of information? Yes. Did it force HFB and category to talk a couple of times per year? Yes. Did it improve the way of working? Maybe. Did it allow us to really join forces to make business better? Question mark...Does it bring value into building up capacities and making long-term plans for the category? No. The HFBs still do not have much concrete actions in their plans, mostly ambitions...I do not want to be negative about this document because it is too early to judge. We are just in the trial stage...Format of the document is too complex. It must contain the summary agreements done. Other supportive documents should be attached to Sourcing Assignment.” (Interview 12)

The CM do not think Sourcing Assignment has fulfilled the initial expectations. It has not connected the category with retail in HFBs. Instead only supply chain representatives like SCM, SDM and SDs are present and according to the CM it is not enough. Hence, IKEA's value chain were BA/HFB acts as gearbox between customers and suppliers has not been pressed together as the CM hoped. The CM feel that the upstream and downstream parts of IKEA's value chain never are connected to each other. It is perceived crucial for the category to know the customer better, as that is who they should work toward, but on the contrary the gearbox becomes a thick layer between the category and customer. The CM must rely on BA/HFB bringing the customer viewpoint into meetings, something that is completely missing now. A broader meeting attendee list than supply chain is desired, e.g. Range Manager, EQR and especially people working closer

to the customers like Commercial. For the CM, the Business Leader, i.e. the one leading the HFB BPL process setting the BA’s strategic direction, must also be included as speaking partner. Sourcing Assignment will become a much more powerful meeting and document if people with broader competence entitled with decision-making authority take part, representing the upstream customer-oriented part of IKEA’s value chain as well. Only then will Sourcing Assignment unite more people toward IKEA common goals and start to become an inspirational source according to the CM. The CM express that brainstorming together in such a forum can lead to better idea generation and “crazier ideas”. However, the current year cycle for Sourcing Assignment makes it extremely difficult to bring together all people. The CM therefore desire a clearer year cycle forcing people to free up time and participate.

A consequence of only supply chain being present is that relevant competence is missing in the room. Hence, for example when sitting down with the SCM, discussed topics must frequently be checked with other functions like the Range Manager. The CM feel that the way of working at IKEA sometime become too slow and bureaucratic leading to lost short-term opportunities. This is not only reflected in Sourcing Assignments but is a bigger underlying problem, for instance the work related to the unaligned APL processes. Certain things categories drive require alignment with BAs, and if not included in the HFB APL it must be postponed a year. The CM mean that the HFB APL is supposed to finish w.16 but that it is seldom achieved, for instance BA OSOF handed over their APL to the category around w.24 in 2016, much later than it ideally should be. The category APL process starts up around w.10-12 and run until w.33 but normally it finishes earlier. Sourcing Assignment timing related to other ongoing processes is unaligned and could be more well-integrated according to the CM. As it is now, the input to IKEA Offer in the SDP from Sourcing Assignment is based on what has been done before, i.e. the older documents.

Another dilemma related to capacities for the CM is that Sourcing Assignment mostly capture BAs/HFBs future wished position without being anchored in how reality looks like today. Thus, it does not give a concrete input and trustworthy implication for what the category shall work with today. Growth indexes handed over to the category is a major concern. As a mean to improve the dialogue the CM desire customer-oriented functions to have a better Plan B if growth indexes are not met according to plan, for instance activate a new product family. Then, the CM could create a better capacity-related alternative plan. As of now, scenario planning is substandard which affect the Sourcing Assignment as well. Better contingency planning is desired how BAs/HFBs and categories shall react on deviations from forecasted growth plans.

4.1. Summary table

The interview with Category 15’s CM captured, either directly or indirectly, several good examples, potential problems and implications for desired way of working related to the Sourcing Assignment process and document as well as the cross-organisational interface, governance and practicalities, and other related processes and documents. See *Table A.28* for a summary compiled by the author.

Table A.28: Summary of comments regarding good examples, problems identified and desired way of working.

Good examples
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> ▪ Internal coordination occurred in the beginning between BA OSOF, BA CHD and Category 15 to align document templates and avoid confusion

- CM think the relation with BA OSOF has few issues compared to other relations at IKEA
- Pre-reads of related content and pre-made Sourcing Assignment document shared prior to meeting

Potential problems identified

Sourcing Assignment process:

- Unclear expectations on each other – BA/HFB would like to know what category want and vice versa
- CM's expectations have not been satisfied so far – only supply chain present is not good enough
- Category must rely on BA/HFB bringing the customer viewpoint to meetings – customer-oriented functions were not present at Sourcing Assignment meetings
- Business Leader leading BA/HFB BPL process absent (disappeared as the process progressed) – totally disconnected from the category – a negative trend observed by the CM
- Right competence not always in the room – must check with other functions impeding the process
- Has become unimportant and decreased in priority – CM feel it could be handled by CSSs on their own
- CM's mindset is too short-term – not converting short-term possibilities are like stealing IKEA's money – difficult to think long-term when you work short-term
 - Cross-organisational interface:
 - IKEA's value chain is not pressed together – category not connected to retail and customers – BA/HFB as gearbox creates a thick layer in-between instead
 - BA/HFB did not like when category took contact directly with retail
 - Agreements with HFBs can be done in just minutes of meeting – very well-aligned or too simplified?
 - Too slow and bureaucratic – losing agility as not quick enough to convert quick wins today – categories have a lot of opportunities/possibilities but cannot convert them here and now
 - Sourcing Assignment did not make BA/HFB and category join forces to improve business together
 - Misalignment exist in/between HFBs so far according to CM
 - Governance and practicalities:
 - Meetings pushed because people are extremely busy – CM questions why everybody is so busy
 - Timing of year cycle is questionable – become input too late in the category APL process

Sourcing Assignment document:

- Status quo was way too extensive/heavy
- Sourcing Assignment perceived as just a piece of paper/formality
- Purpose not clear to the CM with the current template which is too complex with too many pages
- Document forgotten a year later – agreed actions specifying a category-driven project not remembered
- If Sourcing Assignment was removed today it would not change anything – implies no impact yet or already very well-aligned?
- Not fun to fill in the document – boring, low energy level and people feel uninspired
- Document only made BA/HFB summarise their goals – underlying plans remain fluffy (BPL, goals, forecast etc.)
- Finalised document not shared with rest of the category management team – BDM was not in place

Processes and documents related to Sourcing Assignment:

- Sourcing Assignment is not well-integrated in other connected processes – handled separately
- Category input relevant for HFB APL postponed until next year due to lagging/unaligned IKEA processes
- Things move slower than before – takes time for BA to act on opportunities and if not planned in the current APL one year is lost until the new APL will be done
- HFB APL seldom finished on time – HFB APL handed over w.24 last year, 8 weeks overdue
- A problem that category input is not reflected in BA/HFB plans according to the CM
- Range Plans are not made on material level – makes it difficult for categories to plan capacities
- Growth index from BA/HFB is substandard – implies too simple calculation models?
- Growth indexes not anchored in reality – high ambition is not good enough for CM – mismatch from planned targets 3 years in a row but still no accountability/responsibility taken by BA/HFB
- Projected growth did not happen – category ended up with high stocks/unutilised capacity – no Plan B or scenario planning worked with, i.e. contingency planning if forecasts deviate

Implications for desired way of working

Sourcing Assignment process:

- Business Leader is desired as speaking partner as a minimum in meetings
- Do not spend more time on it unless more stakeholders become involved (outside supply chain)
- More relevant stakeholders entitled with decision-making authority should be present – create a more powerful/inspirational meeting and document – workshop/brainstorm together can lead to crazier ideas
- Better customer focus in Sourcing Assignment – not only supply chain
- BA/HFB specify *what* and category create *how* – continuous dialogue making the *what* and *how* happen
 - Cross-organisational interface:
 - Prevent that Sourcing Assignment solely become information sharing – mutual responsibility
 - BA/HFB must become more liable for what they state – should it become like a purchasing agreement?
 - Governance and practicalities:
 - Define a clearer year cycle – must force stakeholders to free up time

Sourcing Assignment document:

- Always good to document as people change but the document stays
- Clarification of expectations – devote sections to express each other's (both positive and negative) expectations
- Prevent standardisation in the form of checklists/tick-off lists
- Agreements done separate can gradually be added to the document – make it a living document
- Strive for simplicity and quality of content – not quantity

- Ideally Sourcing Assignment should exist with all relations – simplified versus extensive version
 - Only work with relevant headings – e.g. Improve and Explore as main headings – not the KPI chart map
 - Summarise agreements in conclusions
 - Sourcing Assignment should have a bigger role
- Processes and documents related to Sourcing Assignment:**
- Range Plan, growth indexes, BPL etc. must be better standardised across the organisation
 - Create contingency plans to react to deviations from plans
 - HFB BPL approval should be done minimum 3 months prior to CC

5. Category 27 comments⁶⁶ on way of working

Category 27 mainly work with BA OSOF (33,1%), BA CED (24,3%), BA K&D (18,4%), BA CHD (12,1%) and BA B&B (6,3%). Four Sourcing Assignments have been established with the BAs which cover 88% of Category 27's business. No Sourcing Assignment is in place with BA B&B. The CM mean that Sourcing Assignments create a needed interface between BA/HFB and category, and has realised the importance of formal checkpoints. However, an improved way of working is desired to better see the commonalities and create a red thread across BAs. In 2016, the CM tried to be flexible and adapt toward how different BAs decided to approach since no uniform way of working was established. With some BAs only one meeting took place while for others a second follow-up meeting was arranged. This year, it has started to become more structured within the category since the available Sourcing Assignments are tried to be better included into the category APL process (SDP). The CSS tried to extract the main takeaways from documents and bring it into purchasing teams involved in the SDP. The CSS only collect input, i.e. no physical meeting take place, for smaller BAs/HFBs. The CM mean that ideally Sourcing Assignments should be ready by w.8 so it can be included early in the SDP starting off in w.12. Of course, some overlap is acceptable to the CM but this year's Sourcing Assignments will not be done timely.

From category viewpoint, the overall level of Sourcing Assignments differs widely even though the document structure is quite similar. Some became relatively specific in agreed actions while others remained very general. The CM desire an improvement for the agreed actions, i.e. the essence of documents. It should cover and answer *what* to focus on, for instance a movement from mid-price to low-price or 50% recycled and renewable plastic materials in FY20. The five elements of Democratic Design could be the starting point. The *how*, e.g. details on responsible person and due dates, should instead be up to categories as it is specified later in the category APL process. Generally, the CM appreciated the BA/HFB business overview sections most documents began with as it gave a good overview, especially since Category 27 works with several BAs. However, the main concern was that the information could be much more aligned across documents. Shifting data quality among BAs is a major problem for the CM today, and for instance some BAs do not even have a LTP to share with the category. Also, different Excel-files and calculations models are used causing confusion. The quality of Sourcing Assignments was ensured by the CM and SDM/SCM participating in the meetings. Hence, no governance structure is in place checking the documents outside the meeting room. The CM think it can be helpful with a centralised function having a helicopter perspective of Sourcing Assignments. Also, as it is today there does not exist any business consequence for agreements, i.e. who take responsibility if deviations occur on what is agreed upon in Sourcing Assignments.

⁶⁶ Based on interview material with the CM for Category 27 (Interview 3).

“It can be an issue if HFB forecasts deviate. Can they claim that the category is not compliant with the Sourcing Assignment? That for example the category is not securing the capacities. There is not really any business consequence today for that and it is an issue. What if it is agreed that the category should buy X% but only manage half of it, what happens then?” (Interview 3)

5.1. Summary table

The interview with Category 27’s CM captured, either directly or indirectly, several good examples, potential problems and implications for desired way of working related to the Sourcing Assignment process and document as well as the cross-organisational interface, governance and practicalities, and other related processes and documents. See *Table A.29* for a summary compiled by the author.

Table A.29: Summary of comments regarding good examples, problems identified and desired way of working.

Good examples
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • Tried to be flexible and adapt to BA approaches <p>Processes and documents related to Sourcing Assignment:</p> <ul style="list-style-type: none"> • Previous year’s Sourcing Assignments brought into the category APL process (SDP) this year
Potential problems identified
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • Very different meeting structure with BAs – no synchronised way of working <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> <ul style="list-style-type: none"> ▪ Quality of data across BAs – different Excel-files and calculation models used ▪ Information sharing via internal folders was problematic in the beginning – not anymore – Sourcing Assignment folders copied to Category 27’s internal drive ▪ CM do not have access to smaller BA/HFB internal drives ▪ <u>Governance and practicalities:</u> <ul style="list-style-type: none"> ▪ No quality check of finalised documents – up to CM and SCM ▪ No governance structure exists <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • Document template is relatively similar but specificity in content differs greatly according to the CM • Lack of ownership of what is written in Sourcing Assignment – no business consequence <p>Processes and documents related to Sourcing Assignment:</p> <ul style="list-style-type: none"> • All BAs do not have a LTP to share with categories
Implications for desired way of working
<p>Sourcing Assignment process:</p> <ul style="list-style-type: none"> • Now is the time to find commonalities/red thread to improve process/document <ul style="list-style-type: none"> ▪ <u>Cross-organisational interface:</u> <ul style="list-style-type: none"> ▪ Improve quality of data across BAs ▪ Use IKEA’s KPI system (web-based) instead of Excel to improve synchronisation – common tools for data ▪ More aligned BA/HFB information input to Sourcing Assignment ▪ Interface between BA/HFB and category is much needed ▪ <u>Governance and practicalities:</u> <ul style="list-style-type: none"> ▪ Good with centralised function having a helicopter perspective on Sourcing Assignment – create a governance structure for quality checks around Sourcing Assignment – could be Business Navigation ▪ A week devoted to Sourcing Assignment – will secure stakeholders time <p>Sourcing Assignment document:</p> <ul style="list-style-type: none"> • More simplified document • Five elements of Democratic Design as starting point • General part – one good to know and one need to know section • Agree on <i>what</i>, not <i>how</i> – <i>how</i> is specified in the SDP by category • Hyperlink/refer to relevant documentation • Take inspiration of how agreements are done with suppliers – stronger commitment to agreed actions <p>Processes and documents related to Sourcing Assignment:</p> <ul style="list-style-type: none"> • Sourcing Assignment as input to the category APL process (SDP) • Postpone January CC so Sourcing Assignment can be done in-between BC and CC • Let IKEA’s yearly extra strategic focus set by top management influence Sourcing Assignment (e.g. Growth with impact FY16-17, Make room for life FY18-19 etc.)

B. Appendix 2: Summary tables of case descriptions

This appendix presents condensed tables on case level of the summary tables outlined in Appendix 1 to facilitate the cross-case analysis. Potential problems identified and implications for desired way of working are aggregated for the Sourcing Assignment process and Sourcing Assignment document. A table also present an overview of interviewee comments on processes and documents related to Sourcing Assignment.

The following qualitative word tables can be found in this appendix as supporting material for conducting the cross-case analysis:

- **Table B.1:** Potential problems identified for the Sourcing Assignment process
- **Table B.2:** Implications for desired way of working with the Sourcing Assignment process
- **Table B.3:** Potential problems identified for the Sourcing Assignment document
- **Table B.4:** Implications for desired way of working with the Sourcing Assignment document
- **Table B.5:** Potential problems identified and implications for desired way of working with processes and documents related to Sourcing Assignment

Table B.1: Summary of potential problems identified regarding the Sourcing Assignment process.

Sourcing Assignment process – Potential problems identified							
Case	Interviews	General/Way of working	Stakeholders/Competence	Dialogue/Meetings in cross-org. interface		Governance/Practicalities	
				BA/HFB perspective	Category perspective	Year cycle/Follow-up	Reviews/Responsibility
Case 1	Interview 2	<ul style="list-style-type: none"> Resistance to changing an established way of working Companywide implementation without evaluating pilots No response from concept creators when requested A clustering approach can in fact be more time-consuming Any type of meeting invitation Nothing recalled working well Looked at briefly/glancingly Time horizon, both short/long Limited internal coordination 	<ul style="list-style-type: none"> In practice SDMs handle long-term disc. even though never worked on strategic level SDs and CSSs not invited – people executing are absent Lack of preparation Light-hearted attitude, easily accomplished How to ensure quality if more people get involved? 	<ul style="list-style-type: none"> Clustering make it difficult to establish tight 1:1 relations No dedicated part on meeting agenda to categories in spring Ad hoc, unplanned and unprepared from cat. side Zero feedback from cats. Trouble with info. sharing No structured exchange with cats. outside clusters Had to pull desired cat. info. Forced cats., not voluntarily came back in autumn 	<ul style="list-style-type: none"> Perceived as a dialogue that would take place regardless of importance diminishes Potentially problematic to establish from scratch Lack of energy and initiative to contribute from cats. Enthusiasm/drive stay in BA BA expects to take lead, resp. not converted/transferred 	<ul style="list-style-type: none"> Compliance KPIs not defined, rely on actionable formulation No clear year cycle with dedicated dates – must find meeting times anyways Timing left open year-to-year Extreme foresight required to secure all stakeholders How and what to follow-up? CMs unaware of autumn resp. No proper work method, year cycle integration, governance Duplicate/overlap meetings 	<ul style="list-style-type: none"> No internal third-party review Quality is solely guaranteed by individuals in the process, no overall standard to meet No process owner/leader for low-level processes like BCP or Sourcing Assignment Low on SCMs/CMs priority list Low-level employees handle the process and content CSSs more knowledgeable than CM in some cases
	Interview 13						
	Interview 16						
Case 2	Interview 11	<ul style="list-style-type: none"> Only SCM and SDM involved Could only handle top-5 cats., rest completely neglected BAs fight for the same time with the same category No feedback received back from concept creators Not taken very seriously, just formalise current work a bit 	<ul style="list-style-type: none"> Perhaps wrong starting point with SCM and CM discussing as customer perspective lost Long-time employees rely on tacit knowledge and reason they make it work anyways 	<ul style="list-style-type: none"> Almost all cats. requested clarification/missing info. – imply unstructured, unstructured or irrelevant info. shared Mostly 1-way traffic to cats., not much info. shared back Top-5 approach limits possibility to filter/compile category specifics with rest Extensive reports/files shared in its entirety to cats. 	<ul style="list-style-type: none"> Short meetings with BAs do not yield much added value Quality of data differs greatly between BAs Sometime unbalanced meeting agendas, not 50/50 No category feedback on different ways of working 	<ul style="list-style-type: none"> Not much follow-ups arranged – second meeting a year later Must book meetings very well in advance (e.g. 6 months) Impossible to squeeze in 40 to 50 extra meetings in fully packed calendars on 2 res. A proper year cycle missing When to prepare? Sloppy documentation and follow-up typical IKEA disease 	<ul style="list-style-type: none"> Nobody reviewed docs. and sometime stayed with CM, not communicated further Cats. do not take own initiative and wait for BA to take lead How to act on deviations from agreement?
	Interview 14						
	Interview 4						
Case 3	Interview 9	<ul style="list-style-type: none"> Only SCM and SDM handled it i.e. 2 res., 17 meetings/docs. Difficult with overview in BA All time horizons covered Very short meeting time for extensive table of content Actions rushed through, ad hoc and sub-optimal setup SCM as bottleneck, alternative is to do with someone else or nothing at all 	<ul style="list-style-type: none"> Purpose and added-value not clear to SDs which support with preparatory content Risks becoming focus on short-term if operationally oriented employees like SDs or CSSs do the work 	<ul style="list-style-type: none"> Generally, cats. did not appreciate generic HFB info. – normally share entire plans Lack of category involvement and unprepared on meetings Cat. expectations not made clear prior to meeting 	<ul style="list-style-type: none"> Up to BA if cat. incl. or not Short meetings do not live up to some core IKEA categories expected standards Cats. with significant impact on IKEA's totality treated equally as comparatively unimportant cats. Equality versus prioritisation IKEA Comp. interface not captured for integrated cats. 	<ul style="list-style-type: none"> Not a single follow-up done Extremely tough to fit 17 meetings, impending risk of poor preparation Time to organise practical matters unbalanced compared to outcome Waste of time and non-value add if SCM/SDM handle the practicalities 	Not mentioned
	Interview 6						
Case 4	Interview 15	<ul style="list-style-type: none"> Extremely fast technology shifts resulting in shorter strategic time horizon Docs. can be outdated 3 months after creation, cannot be too static and long-term Learnings from previous year not used to improve approach Very short-term focused The tool connecting the APLs Do not drive supplier base 	<ul style="list-style-type: none"> Sometime soft parameters like trust take overhand – find balance between leading with heart versus brain CM/DCM discuss with SDs and not SCM – has it led to short-term focus and lack of accountability? 	<ul style="list-style-type: none"> Tactical/strategic horizon differ greatly between BAs Some BAs are more agile and uncertain by nature A small thing – not incredibly smart or a brilliant idea 	<ul style="list-style-type: none"> Mostly cat. that show current supplier base possibilities to BA/HFB and BA/HFB do not work proactively to improve supplier base capabilities As time is not prioritised for it discussions tend to be held informally outside the temp. Business teams in cat. observe misalignment across BA/HFB and category 	<ul style="list-style-type: none"> Not much follow-ups done within the framework due to unclear year cycle integration How to follow-up unclear Very strict and short-term focus – if action not taken on key activity 6 months later it is simply removed/cancelled as considered obviously not important 	<ul style="list-style-type: none"> SDs view it as a must do delegated from SDM/SCM SDs only take responsibility to create document and book meetings, not the results Low priority in both BA/HFB and category
	Interview 18						

Case 5	Interview 7	<ul style="list-style-type: none"> Cats. work here and now while BAs almost exclusively work 2+ years ahead, conflict arising due to diff. mindsets 	<ul style="list-style-type: none"> Main speaking partner in BA/HFB has only been a SD – other important internal stakeholders not involved Outcome depend a lot on SD maturity/competence as it has become the main connection for the CM in BA/HFB 	<ul style="list-style-type: none"> Information overload due to very extensive amount of material tried to be covered 85%/15% split in BA versus category presentation time and content, i.e. BA heavily overrepresented SDM/SD do not think cats. go and check internal folders for BA material, possibility exists 5-year growth plans shared to cats., no response received back from cats. 	<ul style="list-style-type: none"> Document not on the table when sitting down No collective creation meeting for first draft – risk becoming 1-way handover instead of balanced 2-way dialogue? 	<ul style="list-style-type: none"> No formal follow-ups conducted looking at previous draft but continuously done instead in unofficial meetings Necessary to plan meetings early as it is always a problem to find a room, align dates and meet face-to-face No formal meeting planned/arranged in spring 2017 – handshake postponed after HFB APL process finish No governance structure as for HFB/category BPL which is presented to top management 	<ul style="list-style-type: none"> Quickly delegated from SCM to SDM to a SD – diminishing importance/priority?
	Interview 8	<ul style="list-style-type: none"> Very time-consuming to prepare useful content Extensive reports/pres. lifted in meetings without prior translation/rework 					
	Interview 19	<ul style="list-style-type: none"> Meetings can become too ambitious – do not manage to conclude formally CM cannot think of anything working particularly good or bad with process/document 					
Case 6	Interview 5	<ul style="list-style-type: none"> Focus in order of tactical, operational and strategic Risk losing long-term focus if short-term of firefighting character included 	<ul style="list-style-type: none"> Business Leader disappeared as process progressed, totally disconnected from cats., a negative trend observed Right competence not always in the room Supply colleagues must check with other absent functions Cats. rely on BA bringing the customer perspective, missing, instead BA/HFB as gearbox create a thick layer Only supply chain present is not good enough 	<ul style="list-style-type: none"> Cats. rarely extract data from KPI system prior to meeting Difficult to understand someone else's calculations if redirecting to material Recent organisational restructuring has led to other priorities in categories Unclear expectations on each other Responsibility left a bit too much within BA 	<ul style="list-style-type: none"> Very different meeting structures with BAs Different Excel-files and calculation modes across BAs Unimportant to CM in current format, CSSs could handle it Easy to align on common goals but hard to be sharp Agreements can be reached in just minutes of meeting Info. sharing via internal folders initially problematic IKEA value chain not pressed Did not join forces together Misaligned in/between HFBs 	<ul style="list-style-type: none"> Find time in involved stakeholders' calendars No clear space in existing year cycle Meetings pushed because people are extremely busy – why do people not make time for it? Timing is questionable, input too late in the APL process 	<ul style="list-style-type: none"> No quality checks of finalised document, up to CM and SCM No governance structure exists for Sourcing Assign.
	Interview 10	<ul style="list-style-type: none"> Structured compared to zero, imply still unstructured CM mindset is short-term, how to think long-term if working on fiscal year basis? 					
	Interview 3	<ul style="list-style-type: none"> Too slow and bureaucratic as cat. opportunities/possibilities not converted here and now Losing agility and quick wins 					

Table B.2: Summary of implications for how interviewees desire to work with the Sourcing Assignment process.

Sourcing Assignment process – Implications for desired way of working						
Case	Interviews	General/Way of working	Stakeholders/Competence	Dialogue/Meetings in cross-org. interface	Governance/Practicalities	
					Year cycle/Follow-up	Reviews/Responsibility
Case 1	Interview 2	<ul style="list-style-type: none"> One approach in the building for categories sake Maintain relevancy irrespective of approach Generally, not smart to cluster Impossible to meet all categories above 5% Not enough time with 1 hour 	<ul style="list-style-type: none"> Number of meeting attendees kept on sufficient level Mandatory versus optional Retail better involved – extra attendee or widen knowledge BA mgmt. present so cats. get all different business angles 	<ul style="list-style-type: none"> Dedicated internal server and drive for entire org. Incl. growing business <5% Official dialogue twice a year, independent of willingness and make people get together Individual meetings a must Conclude formally even if daily contact exists 	<ul style="list-style-type: none"> No need for compliance KPIs – either action taken or not Incorporate follow-up and feedback session in meetings Profound first doc. version to reduce update frequency Demands yearly calendar to secure multiple stakeholders Postpone after HFB APL finish 	<ul style="list-style-type: none"> SCM accountable and SDM responsible Someone with helicopter perspective quality checking SDM and CSS can handle the work if CM and SCM sign Should be requirement on follow-up and sign-off 2 times per year
	Interview 13					
	Interview 16					
Case 2	Interview 11	<ul style="list-style-type: none"> Should fit most realities First establish docs. with core cats. / strong links for IKEA Ensure working process and basic setup before scaling up Good doc. foundation is key Might require a restart Not mandatory (around 5%) unless specific challenge exist 	<ul style="list-style-type: none"> Wait with involving more stakeholders (e.g. SDs), conf. Limit number of people and involved know what is needed Prevent standard setups / fixed roles but bring in correct competence/knowledge Customer perspective as starting point 	<ul style="list-style-type: none"> Keep official meeting frequency twice a year Continuous dialogue is the foundation via unofficial meetings throughout the year More important with smaller categories less interacted with 1:1, face-to-face, 2-way, 50/50 balance both sessions 	<ul style="list-style-type: none"> Clear space in calendar to get more stakeholders joining Allocate a week or longer period (e.g. 2 months) From time to time evaluate – build on good examples and share to improve the process 	<ul style="list-style-type: none"> Prevent SCM as bottleneck – keeps accountability but can delegate responsibility/give mandate – brief alignment meeting for signature People in meetings should ensure quality, not third party No strict guidelines/templates CM take ownership of actions
	Interview 14					
	Interview 4					
Case 3	Interview 9	<ul style="list-style-type: none"> Do not cluster, rather meet 30 minutes individually Max 4-6 docs. per 2 resources Clarify document/process Unify approach to cats. across BAs – one way of working As common as possible as unique as needed Can shift focus areas yearly 	<ul style="list-style-type: none"> Involve more employees to reduce workload (e.g. SDs) SDs sit on the main knowledge of the business Add people/competence part in discussions Do not stare blindly on titles and specify exact participating roles – bring in right expertise 	<ul style="list-style-type: none"> Synchronisation of differing expectations Revise/realign purpose More guidance from cats. 1:1 relation is the strength – how it should be done 1 hour is enough if coming well-prepared Premade KPI system reports 	<ul style="list-style-type: none"> People must be available – e.g. 2 weeks and 3-days in each week in April An assistant to help organise projects from APL perspective Briefly follow-up agreed 	<ul style="list-style-type: none"> SCM is super-important speaking partner but must not attend – do it between CM and SDs in POD teams Created lower in the hierarchy while approved higher up, delegation principle SCM, SDM, SD etc. can handle different docs.
	Interview 6					
Case 4	Interview 15	<ul style="list-style-type: none"> Good platform in place to build further improvement on Think supply chain, not sourcing Should be the work tool connecting the APLs 	<ul style="list-style-type: none"> BA/HFB should ensure customer perspective, trust them that it is reflected Better preparation prior to meetings is a must (a general issue at IKEA) 	<ul style="list-style-type: none"> Daily work/comm. is key Safeguard culture/behaviour – full transparency in dialogue Not a baton, both directions Ideally CMs develop within BA Collective discussion 	<ul style="list-style-type: none"> Good timing after HFB APL process is finalised 	<ul style="list-style-type: none"> Clearer ownership is required – SDs should dare to take more responsibility
	Interview 18					
Case 5	Interview 7	<ul style="list-style-type: none"> Separate meeting addressing thorough document creation Not only one way of working – freedom to deliver optimally Connect APL perspectives 	<ul style="list-style-type: none"> Rarely meetings of this kind are arranged – maximise when stakeholders secured Include Commercial CM and SD is enough 	<ul style="list-style-type: none"> Structured info. exchange more important than doc. 2-way traffic, not BA taking the lead shall do everything Speak the same language 	<ul style="list-style-type: none"> A clearer year cycle desired A proper follow-up is wanted 	<ul style="list-style-type: none"> Not necessary with an internal third party reviewing and quality checking Fine if CM has 1:1 interface with SD instead of SCM/SDM
	Interview 8					
	Interview 19					
Case 6	Interview 5	<ul style="list-style-type: none"> Get a simple process/doc. in place before taking next step Not needed in a utopia Mandatory process/document Now is a good time to find commonalities/red thread 	<ul style="list-style-type: none"> Better customer focus, not only sourcing/supply Preparation is key Business Leader as attendant More stakeholders with decision-making authority 	<ul style="list-style-type: none"> Continuously done – reinforce importance of alignment 2 meetings, not crucial when Expectations reference guide Mutual sharing/responsibility Align data quality across BAs Synch. common tools for data 	<ul style="list-style-type: none"> After both HFB BPL and APL Status as official IKEA process Force stakeholders to free up time, 2-3 days in a month Keep meeting 2 times/year Remember to reflect and give credit when appropriate 	<ul style="list-style-type: none"> SCM/SDM should ensure right time horizon/detail level Cent. quality check. function Up to people in the process Delegate responsibility to SDs Fund. with supp. process org. More liability for statements
	Interview 10					
	Interview 3					

Table B.3: Summary of potential problems identified regarding the Sourcing Assignment document.

Sourcing Assignment document – Potential problems identified						
Case	Interviews	Template	Content	Agreed actions	Time horizon	Role / Type
Case 1	Interview 2	<ul style="list-style-type: none"> Not yet on the right level as still in trial and error stage Problematic to cluster docs. as individual attention needed Unfortunate that status quo was distributed initially as too extensive to replicate 	<ul style="list-style-type: none"> Mostly snapshot of current performance Uneven input proportion – category input only reflected in main conclusions part 	<ul style="list-style-type: none"> Old discussions not remembered Need of ability to translate strategy into operation Deep business knowledge necessary to interpret briefly specified actions 	<ul style="list-style-type: none"> Tendency with short-term focus even though long-term ambition exists Fluffy content due to tactical and strategic horizon – do not feel the need 	<ul style="list-style-type: none"> Lack of relevancy, perceived as just another extra tool A lot of discussion around meaning of it Put in the drawer for a year Risks fading away with time if forgotten throughout the year Input for <i>what</i> and to <i>whom</i>?
	Interview 13					
	Interview 16					
Case 2	Interview 11	<ul style="list-style-type: none"> Status quo redirected focus mostly on current performance 	<ul style="list-style-type: none"> Too much history and too little future Information kept in involved employees' minds instead of explicitly written down 	<ul style="list-style-type: none"> Few details outlined on paper Not understandable to third party absent from meeting Not stated who does what – responsibility unclear KPIs not included at all for compliance to agreement 	<ul style="list-style-type: none"> Almost down to operational level but tactical/strategic is still covered 	<ul style="list-style-type: none"> Seen as a handover from BA/HFB to category – not 50/50 contribution in place <i>Assignment</i> interpreted wrong, shall be an <i>agreement</i> Lack of clarity – purpose or formulations?
	Interview 14					
	Interview 4					
Case 3	Interview 9	<ul style="list-style-type: none"> Extensive template used which resulted in headings labelled as not applicable 	<ul style="list-style-type: none"> Limited content filled in compared to initial ambition Categories did not write their parts prior to meeting 	<ul style="list-style-type: none"> Struggled to decide due to short meeting time Much mandatory basics Half-finished and a bit underdeveloped How to follow-up unspecific formulations unless re-done? 	<ul style="list-style-type: none"> Short-, mid- and long-term covered – which gets most focus? 	Not mentioned
	Interview 6					
Case 4	Interview 15	<ul style="list-style-type: none"> Too extensive – potentially no-one will read it Current temp. a bit too static 	<ul style="list-style-type: none"> Not collectively created but done separately then merged together afterwards 	<ul style="list-style-type: none"> SCMs potentially write too broad compared to SDs (e.g. 'focus on automation' or 'increase capacities') Lack of responsibility and commitment to agreement 	<ul style="list-style-type: none"> Moved from tactical/strategic tool to a more operational one – short-term focus takes overhand and risk becoming the only focus 	<ul style="list-style-type: none"> Purpose/benefit/advantage not seen by SDs Task delegated to SDs and seen as a document created as a must do Has low priority today
	Interview 18					
Case 5	Interview 7	<ul style="list-style-type: none"> Only 1 formal document created – risks remaining in an informal format Not an inspirational document triggering thinking First version risks becoming substandard 	<ul style="list-style-type: none"> Everybody wants everything to be included – potentially documents become too long Only in very general terms – lack of details from BA/HFB 	<ul style="list-style-type: none"> Much concluded but not written down collectively Nothing you put blood on – imply lack of commitment to agreed notes No prioritisation of actions No clear deadlines to meet 	Not mentioned	<ul style="list-style-type: none"> Just a document settling prior understandings/agreements – what is the added value?
	Interview 8					
	Interview 19					
Case 6	Interview 5	<ul style="list-style-type: none"> Status quo Word template too extensive/heavy – complex If differing greatly it can be difficult for categories to connect all puzzle pieces Only made BA summarise goals but their underlying plans remain unspecific Boring to fill in, low energy level and uninspiring 	<ul style="list-style-type: none"> Specificity differs greatly across BAs Diverging not converging Expectations on inputs from both sides not made clear 	<ul style="list-style-type: none"> Hard to understand unless present when created Lack of ownership No business consequence if agreements are not fulfilled 	Not mentioned	<ul style="list-style-type: none"> A piece of paper/formality Purpose not clear Document easily forgotten Removing it today would not change anything – imply no impact yet or well-aligned? Doc. not explicitly shared with rest of category team
	Interview 10					
	Interview 3					

Table B.4: Summary of implications for how interviewees desire to work with the Sourcing Assignment document.

Sourcing Assignment document – Implications for desired way of working						
Case	Interviews	Template	Content	Agreed actions	Time horizon	Role / Type
Case 1	Interview 2	<ul style="list-style-type: none"> Less text, more headings Keep current framework roughly the same Simple/light version and advanced/full version 	<ul style="list-style-type: none"> Focus on actionable topics, <i>what</i> to focus on in the coming years Minimal current performance and operational level Big projects related to worst product families/suppliers Innovation projects 	<ul style="list-style-type: none"> Remove KPI targets (e.g. X% service level or -X% COPQ) Requirements on each other with clear goals / time plans Commitment once signed Underlying discussion in complementary document CM as translator in category 	<ul style="list-style-type: none"> Keep 3-year horizon Find balance between long-term versus lack of depth Can incl. short-term problems (e.g. in 0-6 or 0-12 months) Problem-solving short-term focus e.g. during a year if necessary 	<ul style="list-style-type: none"> Improve or remove Bigger role and recognition of importance Prevent tick-off from to-do list and done for the sake of it Living document continually associated to Better leadership and energy Should always be on the table
	Interview 13					
	Interview 16					
Case 2	Interview 11	<ul style="list-style-type: none"> Limit broadness Capture expectations to be fulfilled against each other Do not cluster documents Incorporate follow-up as an integral part 	<ul style="list-style-type: none"> Exclusively include actions Redirect/link in appendixes 90% future, 10% today Only 20% regularly updated, 80% relatively unchanged Incl. materials/techniques in the exploration phase Major business movers or common denominators 	<ul style="list-style-type: none"> Exclude hygiene factors (e.g. IKEA overall price reduction target) Responsible person, time plan Quantifiable to extent possible Better measurability, KPI-based or not 	<ul style="list-style-type: none"> Look beyond 2 years Exclude coming fiscal year Good enough for 1 year, do not update every 6 months Existing APL processes should handle operational agenda Long-term APL actions can still be relevant and lifted in 	<ul style="list-style-type: none"> Shifting importance of documents over the years Fill in continuously, i.e. not locked after a single session Prevent becoming information sharing document Do not revise entire document when process is up and running
	Interview 14					
	Interview 4					
Case 3	Interview 9	<ul style="list-style-type: none"> Establish minimum level Various detail level in docs. Skip irrelevant chapters Two document versions (e.g. 5-15% and >15% share) Flexibility – ambitions differ Simplified and homogeneous 	<ul style="list-style-type: none"> Skip HFB background info (handle separately) Only main conclusions/actions for more depth and value-add Big brush strokes / triggers / step-changes Lift customer perspective 	<ul style="list-style-type: none"> Remove mandatory basics / bottom line (e.g. SL KPIs) Agreement can be on very few bullet points (e.g. 1 or 5) Distinguish between must do and good to do Build on Democratic Design 	Not mentioned	<ul style="list-style-type: none"> Table of content creating the meeting agenda Visionary document driving significant business change Used by cat. business teams Internal doc. whoever can use
	Interview 6					
Case 4	Interview 15	<ul style="list-style-type: none"> Prevent 50-page documents Maximum 4 hours to create as mindset/rule of thumb Not too long, keep it short Uniform document binding together collective input 	<ul style="list-style-type: none"> Let SDs write instead of SCMs to get more concrete/specific formulations More concrete here and now part, less concrete future part 	<ul style="list-style-type: none"> Clearer ownership Involved people must feel more responsibility and commitment to agreements than today 	<ul style="list-style-type: none"> Short-term as a more integral part and focus Do not only make it on a yearly basis, more frequently Look 3 years ahead but include short-term 	<ul style="list-style-type: none"> Complement to Supply Chain Alignment meetings Replace <i>sourcing</i> with e.g. <i>supply chain</i> in the assignment name No excuse to not meet personally Should be a living document Ideally not needed at all A document where BA/HFB can become more involved in developing the supplier base
	Interview 18					
Case 5	Interview 7	<ul style="list-style-type: none"> Standardised in the sense of more harmonisation Treat documents differently Document is not necessarily structured properly but contain relevant material Headings used are relevant Not more bureaucratic Uncomplicated 	Not mentioned	<ul style="list-style-type: none"> Agree on <i>who</i> will bring <i>what</i> Clarify how to formulate, e.g. with priority and deadline Safeguard that valid supplier commitments are not overruled 	<ul style="list-style-type: none"> Talk tactical time horizon, i.e. 2 to 3 years ahead 	<ul style="list-style-type: none"> Not only directed toward CMs To make it a successful/useful tool, anybody in the org. should have use of the docs. BA/HFB input back to categories A more living document Reference document in future explaining why certain cat. actions were taken in past
	Interview 8					
	Interview 19					
Case 6	Interview 5	<ul style="list-style-type: none"> Less is more, common struct. Emphasise certain headings (e.g. focus on price in spring) Improve/Explore as headings, not the KPI map Practical people aspect (e.g. phone number, seat in office) Clarify the expectations Prevent checklist/tick-off list Simple and extensive version 	<ul style="list-style-type: none"> Freedom in content and detail Prevent bureaucratic monster Communicate with graphs and highlight trends Throwback and future part Simplicity/quality, not quantity Good/need to know sections Refer/hyperlink to attached supportive reports 	<ul style="list-style-type: none"> Five elements of Democratic Design as starting point Agree on <i>what</i> not <i>how</i>, the <i>how</i> should be specified in the category APL process (SDP) Summarising agreements in conclusions is a good approach 	<ul style="list-style-type: none"> Majority concerning long-term People change but document stays as it is long-term 	<ul style="list-style-type: none"> Confrontation on deviations Brief new employees Steering doc. ensuring cross-functional communication Working doc. – gradually add Framework for cats. to plan Enlarge document role Stronger commitment like in a supplier agreement
	Interview 10					
	Interview 3					

Table B.5: Summary of potential problems and implications for desired way of working for processes and documents related to Sourcing Assignment.

Processes and documents related to Sourcing Assignment – Potential problems identified and implications for desired way of working							
Case	Interviews	Problems			Desired way of working		
		BPL/APL processes/documents	Range plan/LTP/Growth plan/Materials etc.	General	BPL/APL processes	Range Plan/LTP/Growth plan/Materials etc.	General
Case 1	Interview 2	<ul style="list-style-type: none"> Related processes and year cycles are unsynchronised Questionable meeting timing Category input to HFB APL not coming timely/structured HFB APL actions cats. want to incl. risk postponement a year Totally different APL scopes Autumn doc. pot. outdated as CC is a milestone update – must double-check/re-confirm to strengthen cat. messages on APL alignment meetings Often on aggregate BA/category area level 	<ul style="list-style-type: none"> BA LWR now handle LTP separately – highly relevant info. might be disregarded in discussions BA/HFB Range Plan is too short-term – a chronic underlying companywide problem 	<ul style="list-style-type: none"> Valuable inputs not on paper in time – difficult to anchor inputs kept in the head BA locked during end of year in BPL Focus Weeks Agility toward customers versus static plans to optimise capacities in sourcing Sourcing Assignment fits better with January councils (approval of new BPLs) than autumn councils (follow-up of old BPLs) 	<ul style="list-style-type: none"> Potentially make Sourcing Assignment prior to HFB APL and category APL (as originally intended) Extract long-term actions from Sourcing Assignment and transfer to APL alignment – will improve readiness and planning-roadmaps in cats. Clarify whether autumn doc. (cat. SWOT input) supposed to be input for both HFB BPL and HFB APL or only HFB BPL 	Not mentioned	Not mentioned
	Interview 13						
	Interview 16						
Case 2	Interview 11	<ul style="list-style-type: none"> Not hand in hand with defined Sourcing Assignment time horizon – which should adapt? HFB BPL not category specific – same presentation to Range & Supply mgmt. as to cat. Doc. as input to category APL process (SDP) badly timed Relevant content remains in BPL/APL processes and not lifted into Sourcing Assign. How to implement something new into unsynchronised processes unless ad hoc? 	<ul style="list-style-type: none"> Cats. perceive the Range Plan as unclear beyond 2-3 years and consequently the LTP too Vague and incomplete Range Plans become wall/roadblock in long-term discussions – tactical/strategic horizon feel intangible and an exchange of empty words Product developers in BA/HFB desire very broad Range Plan, material choice etc. while it is the opposite for categories 	<ul style="list-style-type: none"> Spring session risk becoming a BPL sharing meeting instead of mutual contribution – relevancy/connection to Sourcing Assignment should be made clearer to cats. No representative from cat. or cat. area present at January BC – BPL seen first time at Sourcing Assignment meeting (or other separate meeting) Between January BC and CC is bad timing – CMs extremely occupied with CC, no prep. 	<ul style="list-style-type: none"> Details like responsible person and time plan of agreed actions should be specified in the category APL (SDP) The processes running in parallel to Sourcing Assign. could/should be better included/give more structured input 	<ul style="list-style-type: none"> Update LTP more frequently (e.g. 3 times per year), also with dedicated dates 	<ul style="list-style-type: none"> BA B&B could team up with BA LWR and BA K&D for BPL sharing days to cats. in spring 2018 – can also create better alignment across BAs More internal fairs requested, e.g. one for each cat. area over 2 or 3 days, to better bring up the material innovation agenda
	Interview 14						
	Interview 4						
Case 3	Interview 9	<ul style="list-style-type: none"> Sourcing Assignment process and the category APL process are not fully synchronised HFB APL process require most of BA/HFB attention until finalised 	<ul style="list-style-type: none"> Range Plan and other BA/HFB plans are only range specific, not category specific Range Plan today does not suit cat. org. well – about products not materials 	<ul style="list-style-type: none"> Translation of subjective parameters like e.g. comfort to materials – must be explored during projects and cannot be defined before 	<ul style="list-style-type: none"> Extract content already in the BPL/APL documents and processes to improve Sourcing Assignment preparation – prevent wasting valuable discussion time 	<ul style="list-style-type: none"> Reformulate BA/HFB Range Plan/BPL with material dimension (or at least add) to the extent possible to better suit cat. org. 	<ul style="list-style-type: none"> Can make sense to do a Sourcing Assignment with IKEA Comp. for integrated categories (e.g. Category 24 and Category 25)
	Interview 6						
Case 4	Interview 15	<ul style="list-style-type: none"> Range is specified first in HFB APL – difficult to arrange meetings prior as originally Too blurry/high-level discussion after HFB BPL and prior to HFB APL – postponed Misaligned year cycles in BA/HFB versus category Cat. actions pot. post. 3 years HFB APL priority in late spring 	<ul style="list-style-type: none"> Range and material are classic IKEA problems also surfacing in Sourcing Assignment discussions Highly relevant content like growth plan not discussed collectively in the meetings anymore 	<ul style="list-style-type: none"> IKEA's inflexible processes do not fit BA Lighting – dynamic/agile/iterative characteristics for Home Smart far from how IKEA traditionally work Big organisational changes increase importance but make it more difficult to be concrete 	Not mentioned	Not mentioned	<ul style="list-style-type: none"> Include IKEA Components within Sourcing Assignment Invite cats. already in the DPOP process – cross-organisational cooperation early in, and throughout, the product development process
	Interview 18						

Case 5	Interview 7	<ul style="list-style-type: none"> Sourcing Assignment as a parallel process to the HFB APL – should it be better integrated in other processes? 	<ul style="list-style-type: none"> Ownership of material innovation agenda – no good interface exists to bring it in – feels disconnected/unknown as material engineers sit in the “basement” 	<ul style="list-style-type: none"> BPL sharing meetings not communicated to be related to Sourcing Assignment but BPL still seen as the heart of the discussions – a bi-product from it 	<ul style="list-style-type: none"> Better alignment of BA/HFB and category APL processes is desired – via Sourcing Assignment? Category APL process could start earlier after January councils 	<ul style="list-style-type: none"> Must strengthen the relation between category and material innovation and bring it into Sourcing Assignment meetings 	Not mentioned
	Interview 8	<ul style="list-style-type: none"> BA/HFBs are way too flexible in APLs – can easily change or compromise a few years back and forth 	<ul style="list-style-type: none"> Conflict in way of working by nature – BA/HFB very broad while cats. very detailed 				
	Interview 19	<ul style="list-style-type: none"> Very different scope how cats. and BA/HFB work – how to speak the same language? 					
Case 6	Interview 5	<ul style="list-style-type: none"> Entire BPLs/APLs cannot be absorbed by cats. – cat. spec. not filtered out already in the BPL/APL processes 	<ul style="list-style-type: none"> Range/material possibilities is a constant struggle 				
	Interview 10	<ul style="list-style-type: none"> Unsynchronised processes – cat. input to HFB APL post. until next year – lagging, slow and unaligned processes Sourcing Assignment not well-integrated – supposed to be? 	<ul style="list-style-type: none"> Mixed materials are a major Achilles heel with cat. org. All BAs do not have/share LTP Range Plan not on material level – diff. to plan capacities BA/HFB growth indexes unreliable – mismatch 3 years in a row but no accountability or responsibility taken for it by BA/HFB 	<ul style="list-style-type: none"> Generally, do not work good enough with contingency planning if forecasted growth deviate – no Plan B or scenario planning 	<ul style="list-style-type: none"> Ideally Sourcing Assignment should be in place before both HFB APL and category APL processes Sourcing Assignment as input to the category APL process (SDP) – as intended 	<ul style="list-style-type: none"> Range Plan, growth indexes, BPLs etc. must be better standardised across the org. Let IKEA's yearly strategic focus influence Sourcing Assignment (e.g. Growth with impact FY16-17, Make room for life FY18-19 etc.) 	<ul style="list-style-type: none"> Create contingency plans to react better to deviations from plans HFB BPL approval should be minimum 3 months prior to January CC Postpone January CC so Sourcing Assignment can be done in-between BC and CC
	Interview 3	<ul style="list-style-type: none"> HFB APL often not meet deadline – frequently overdue Cat. inputs not always reflected in BA/HFB plans 					

C. Appendix 3: Agreed actions in Sourcing Assignments

This appendix exemplifies formulations of agreements, i.e. main conclusions/actions/actionable topics/key activities/agreed actions⁶⁷, quoted from various Sourcing Assignments. Some documents are directly connected to the case descriptions (i.e. interviewees were part in creating the document) while some documents are independent of the cases but are included to portray what Sourcing Assignment documents can contain and the actionability of agreements. The author has made a selection to highlight a variety of agreed actions, having a viewpoint of a third party not attending the Sourcing Assignment meetings. Sensitive information has been removed or replaced with the letter X.

1. BA LWR and 3 Sourcing Assignments

Main conclusions from BA LWR’s Sourcing Assignment with Category 9, Category 12 and Category 14 are presented in Table C.1.

Table C.1: Example of main conclusions quoted from one of BA LWR’s clustered Sourcing Assignments (IKEA, 2016E).

Category 9
<ul style="list-style-type: none"> • Capacity: <ul style="list-style-type: none"> ▪ Free Range and how to handle during 'Growth with impact'. Risk is that due to their shorter-term planning horizon they risk availability of regular range. Need for a process around Free Range new development and for example week X could be a deadline to submit new development for next FY. <u>Action: Business Leader is in the lead for this topic.</u> • Supplier landscape: <ul style="list-style-type: none"> ▪ Transformation plan under process for new industrial landscape. <u>Category in the lead.</u> • Total cost: <ul style="list-style-type: none"> ▪ Sofas the IKEA way. X test looks good from bottom part of diamond but still analysing the customer perspective. X test evaluation in April. <u>Action: Decisions will be connected to category as soon as possible. HFB in the lead.</u> • Quality: <ul style="list-style-type: none"> ▪ X questioned around the performance gap between suppliers. Example: X. <u>Action: Come to common agreement with HFB/Category with what are the specific focus areas. Alignment also needed in innovation.</u> ▪ Most problematic areas are X, X and X. How to improve X. <u>X and X to explore.</u> ▪ X is a key focus for X quality in FY17 and X and X are two confirmed focus areas. <u>X in the lead.</u> ▪ Material and component standardisation: Important that seating and sleep comfort is aligned for all categories within IKEA. X, X, X, X and X are owned by Category Area 3. <u>Action: Alignment needed within HFB01/02/03/05 driven by X.</u> ▪ For optimal sourcing, we exchange some agreed material and components. For example, X instead of X. <u>Category in the lead with support from HFB.</u> ▪ Crucial to secure: Number of new sofas to sales start in X to X. X sofa upholstered, X metal frames sofas. FY18/19 is X new series. Big volumes and big money. <u>Action: Review product engineers' resources needed in category. Put together a business case for resource request to meet business needs. X and X responsible. Action: Key families and COPQ development. POD teams and category to align on actions. X and X to align.</u>
Category 12
<ul style="list-style-type: none"> • Capacity: <ul style="list-style-type: none"> ▪ No capacity commitments at any suppliers. <u>Category in the lead.</u> ▪ Components: We are using patented X, X and X in the running range. That is putting us at risk if the patent owner decides to stop to sell components to our suppliers, Currently the category work to secure dual sourcing and agreements with patent owners. That concerns X, X and X suppliers. <u>Category in the lead.</u> ▪ Components: No capacity risk exists at component suppliers. Through BCP process teams will dig deeper in the value chain. <u>Category in the lead.</u> • Supplier landscape: <ul style="list-style-type: none"> ▪ Current activities to optimise supplier base setup: <ul style="list-style-type: none"> ▪ Optimal sourcing mapping for X/X/X FY16/FY17 in order to identify a better supply setup to the major sales markets for both components and assembly unit ▪ X supplier implementation by FY17 ▪ Phase out our supplier X and move matrix to X ▪ Address the dependency on suppliers, both assembly unit and component suppliers, for single source items. • Total cost: <ul style="list-style-type: none"> ▪ Inbound Logistics Project – Category is looking into optimisation of a components supply to final suppliers. Goal for that project is -X% in X. X pre-study should be finalised with guidelines on how to reach expected savings. <u>Category will provide a picture to a HFB before Category Council in Autumn 2016.</u>

⁶⁷ Note that interchangeable expressions are used to label the agreed actions in different documents.

<ul style="list-style-type: none"> ▪ Outbound Logistics Activity – We see a possibility to utilise capacity in a better way by planning the out deliveries in a better way. Saving estimation for this project is -X% landed cost. Delivery shall happen during 2017. <u>Category to provide and update after spring 2017.</u> • Standardisation: <ul style="list-style-type: none"> ▪ Standardisation of components. Category highlights that it is very important to understand the component needs for the future from HFB and align the possibility to do optimal sourcing and secure supply/quality to the X assembly unit. This is a key topic to align upon. <u>Action: Alignment needed between category, POD team and Business Leader and X on what standardisation means and how to proceed. X and X in the lead. Decision on the way forward to be taken by the end of June 2016.</u> • Quality: <ul style="list-style-type: none"> ▪ Quality development is in wrong direction. High focus from category team to stabilise and improve. Main root cause is component quality and not the workmanship at assembly unit. ▪ Compliance for X and X is currently an issue – big work in the category to make sure suppliers are complying. ▪ Category will present a way of working on how to secure compliance to POD team, SDM, EQR by the end of May 2016. ▪ Packaging related damages is developing in the wrong direction. Category will run an investigation in order to understand reasons of increasing problem with packaging damages. <u>The status shall be presented by the end of November 2016. X in the driving seat.</u> • Sustainability: <ul style="list-style-type: none"> ▪ The category will support the project X with team from New Businesses and category. The agreed project scope will be defined week X. Category will in parallel investigate what does it take to develop a much more sustainable X and give this input to the HFB. <u>Category Manager in the lead.</u>
Category 14
<ul style="list-style-type: none"> • Capacity: <ul style="list-style-type: none"> ▪ No capacity commitment existing ▪ No operation capacity in concerns ▪ HFB to come back on tactical planning resource map • Total cost: <ul style="list-style-type: none"> ▪ Key activities are: <ul style="list-style-type: none"> ▪ Supplier development on production and efficiency ▪ Logistics cost out projects ▪ X multi sourcing + X matrix optimal ▪ Automation production for X • Standardisation: <ul style="list-style-type: none"> ▪ X – standardisation project as per in BPL ▪ Will join IKEA Textile platform FY17 onwards, to update the progress • Quality: <ul style="list-style-type: none"> ▪ X project. The implementation will be done by end 2017 ▪ Colour variation project – FY17 • Innovation: <ul style="list-style-type: none"> ▪ X FY16-18 ▪ Collaborative automation X production FY17-18 – the inputs will be part of PDP to refresh sourcing strategy • Sustainability: <ul style="list-style-type: none"> ▪ Recycle polyester X FY16-20

2. BA B&B and 5 Sourcing Assignments

Actionable topics from BA B&B's top-5 Sourcing Assignments with Category 1, Category 2, Category 7, Category 11 and Category 22 are presented in Table C.2.

Table C.2: Example of actionable topics quoted from BA B&B's top-5 Sourcing Assignments (IKEA, 2016E).

Category 1
<ul style="list-style-type: none"> • Sourcing/Category plan: <ul style="list-style-type: none"> ▪ Continue the light weight agenda on all segments. The roadmap for all segments needs to be built in the context of X. ▪ X (X and X) will have easy assembly right from the beginning ▪ Roadmap for easy assembly on other ranges needs to be created along with range ambitions ▪ X local sourcing agenda will be strengthened with X, X, X, X, X, X and X. This will be approx. X% of the volume. ▪ X local sourcing will start with test orders of X during FY17. X and X could be in the future but in different techniques like X. ▪ Development suppliers need to have more capabilities to work in IKEA systems. The pilot in X will be the starting point. ▪ How to create a robust supply chain which can manage mass customisation? • Balance Sales & Supply: <ul style="list-style-type: none"> ▪ Impact of forecast uncertainty and the related cost of capacity needs to be worked on. This will be considered in the optimal inventory project. • Shared solutions: <ul style="list-style-type: none"> ▪ Home Smart could influence the offer in a bigger way in future ▪ Coordination of cross POD team and cross HFB projects is a challenge area and needs to be clarified probably case by case. X is a good test of this.

- **Quality:**
 - Scaling up of known and future cost-effective X solutions will be a key area
 - Consolidate learnings on the entire chain from supplier to customer on the 2 carriers of X (X and X)
 - Our customers expect our products to last. Good and durable surfaces, sturdy and stable furniture, with smooth hinges, slides, and drawers
 - Remove chemical smell in X materials
 - Compliance to legal requirements and X with regard to sourcing
- **Inventory management:**
 - Optimal inventory concept will be piloted during 17
 - Based on outcome of the initial pilot, next steps to be decided
- **Cost reductions:**
 - On the top ranges, the X plans for the future are X, X and X
- **APL:**
 - Light glass implementation
 - Better back panels
 - Humidity with known solutions

Category 2

- **Sourcing/Category plan:**
 - Regional sourcing is not the optimal sourcing in all cases especially in X. X could be different in future.
 - Continue the lightweight agenda roadmap from X to X
 - Changing X fronts from X to X to be tested during 16. Possible pilot in 17. Replace X with X and X. We should not mix X and X fronts.
 - Conversion of X and X capacities to X is not possible. Converting X to X is a possibility.
 - X local sourcing agenda will be strengthened with X, X and X during 17. This will be approx. X% of the volume.
- **Balance Sales & Supply:**
 - Need capacity balancing on tactical and strategic horizon to be strengthened
- **Shared solutions:**
 - X simulation tool needs to reflect the starting point of prices and capacity utilisation and the movement over the years. E.g. the X tool.
 - Implementation and scaling up of storage platform in the future X development
- **Inventory management:**
 - Optimal inventory concept will be piloted after concluding learnings from the Category 1 pilot
 - Analysis of range, supplier, retail market will be started during 17
- **Cost reductions:**
 - On the top ranges, the X plans for the future are X, X, X and X

Category 7

- **Growth plan:**
 - The APL for 19 and onwards will create clarity on: X for X. Need to clarify why we need to change and what we want to achieve.
- **Sourcing/Category plan:**
 - Performance of the supplier base in X needs to be improved substantially
 - Model of working with capacity commitments with X needs to be reviewed and made more robust both in content and timing
 - Continue the scaling up of next generation X will be a key determinant of relevance of X in the total picture
- **Balance Sales & Supply:**
 - Range dimensioning and its impact needs to be discussed and consequences to be considered before finalising decisions
- **Shared solutions:**
 - How to enhance and optimise entry into the sleep business through the X
- **Quality:**
 - Process control at suppliers especially in X needs to be strengthened
- **Cost reductions:**
 - The key factors driving cost reductions are value chain opportunities as identified in the category and the business needs
 - Competition as a tool to improve cost structures needs to be explored and challenged further
- **APL:**
 - Easy assembly, ranges with X
 - X methodology as a way of working

Category 11

- **Sourcing/Category plan:**
 - Enhance competition in X
 - Consolidate supplier base in X
 - More development capacities need to be built. Development suppliers need to have more capabilities to work in IKEA systems and bring more to the table than ability to make prototypes.
 - Future X and its impact needs to be built together
- **Shared solutions:**
 - Need to clarify expectations towards the comfort platform
 - Can we broaden the material base for carriers in HFB05 and X? Can we collaborate with Category Area 1 and Category Area 2 categories to investigate this further?

- **Quality:**
 - X expiry topic to be investigated end-to-end and agree on common areas
 - Impact of production planning and minimum batch quantities on mitigating expired X
 - Need to clarify our standpoint on X in the context of the total diamond and the patent ownership
 - Chemical smell in foam
 - Calibration workshops need to be revived and strengthened as a way of working
- **Inventory management:**
 - Inventory levels are on a low level in this category. However, need to explore further on component level and also low forecast products.
- **Cost reductions:**
 - Lowering landed costs in X
 - Sharpening cost structures and comparison in the whole category
- **APL:**
 - X roadmap
 - Quality improvements
 - New X range

Category 22

- **Sourcing/Category plan:**
 - Regional sourcing needs to be enhanced as it is optimal in more cases
 - Scaling up of known and future cost-effective X solutions will be a key factor. Capacity ramp-up through material innovation to be scaled up to manage customer needs.
 - What does easy assembly mean for the category and its impact – needs to be mapped and considered
 - X local sourcing is quite strong. Needs to be expanded where relevant.
 - Ability to work with mixed materials and cross categories. The APL will support with clarity as we develop projects.
 - Capacity and capability of development suppliers need to be enhanced
- **Shared solutions:**
 - Shared solutions will be the preferred way of developing NEWS
 - Who is building capacity for shared solutions and how do we keep it together? In case of X, BA B&B is responsible for the capacity commitments in alignment with other HFBS
- **Quality:**
 - Impact of shared solutions and automated setups needs to be followed up and consolidate the learnings
 - Our customers expect our products to last
 - Quality follow-up and calibration across the category like an X exercise or X exercise at least once a year
 - Handling damages: We want to give our customers a positive shopping experience by providing neat and clean packages, and undamaged products.
- **APL:**
 - X roll out
 - Future X roadmap

3. BA K&D and 3 Sourcing Assignments

Main conclusions/actions from BA K&D's Sourcing Assignments with Category 1, Category 25 and Category 27 are presented in Table C.3.

Table C.3: Example of main conclusions/actions quoted from BA K&D's Sourcing Assignments (IKEA, 2016E).

Category 1
<ul style="list-style-type: none"> • Price development (costs): <ul style="list-style-type: none"> ▪ Kitchen: Fronts – lightweight carriers (move from X to X) ▪ Kitchen: Cabinets – short-term: RFQ, long-term: it shall be based on volume • Availability (capacity): <ul style="list-style-type: none"> ▪ Kitchen: Fronts – new supplier for X to create competition into supplier base <ul style="list-style-type: none"> ▪ Develop local fronts supplier for X ▪ Kitchen: Cabinets – back up supplier for X (ready plan and quotation) ▪ General: Back up for X due to spec art numbers • Logistics: <ul style="list-style-type: none"> ▪ Kitchen: Fronts – X development and X optimisation ▪ Kitchen: Cabinets – X at X • Quality (product improvements): <ul style="list-style-type: none"> ▪ Kitchen: Fronts – securing the X requirements at all suppliers and front families ▪ Kitchen: Cabinets – X/X: <ul style="list-style-type: none"> ▪ X implementation FY20 ▪ Lightweight ▪ Humidity resistance ▪ X improvements ▪ Dining: <ul style="list-style-type: none"> ▪ X – high CRPQ and COPQ, the aim shall be to analyse and make improvements ▪ X – high CRPQ, the aim shall be to decrease that

<ul style="list-style-type: none"> • Sustainability: <ul style="list-style-type: none"> ▪ Kitchen: Fronts – recycled plastic agenda until 2020 • Supplier base: <ul style="list-style-type: none"> ▪ Kitchen: Develop local sourcing in X, X and X ▪ Dining: Develop X local supply for X and X • Material and technique development: <ul style="list-style-type: none"> ▪ Develop better humidity resistance and lighter X (X) – how do we take this further into X?
Category 25
<ul style="list-style-type: none"> • Price development (costs): <ul style="list-style-type: none"> ▪ New development of low price drawer FY20+ ▪ Better price for X for FY17-FY20 (project with X) • Availability (capacity): <ul style="list-style-type: none"> ▪ Supplier for X for X – project with X ▪ New kitchen X platform – dual sourcing for X hinge • Logistics: <ul style="list-style-type: none"> ▪ X development ▪ How can we use X/X/X in developing the distribution network for future sales channels? ▪ X stock in X? (Aligning with Category Area 1?) • Quality (product improvements): <ul style="list-style-type: none"> ▪ X and X, project X. <u>Category and supplier in the lead to make drawer better compared to today regarding X and X. Solution ready April 2017.</u> ▪ X strategy: Next generation kitchen hinges in joint venture with DSS • Sustainability: <ul style="list-style-type: none"> ▪ Implementation of X project at X and X • Supplier base: <ul style="list-style-type: none"> ▪ Start-up of X to be finalised ▪ Investigate and implement local sourcing options for X, X and X (refer to New Business team and the pre-study done)
Category 27
<ul style="list-style-type: none"> • Price development (costs): <ul style="list-style-type: none"> ▪ Implement the set up to consolidate X material to avoid extra stock • Availability (capacity): <ul style="list-style-type: none"> ▪ Local shortage for X, X to be involved (supply manager to be contacted) ▪ To secure LTP with higher precision and the expected level (colour and region) • Quality (product improvements): <ul style="list-style-type: none"> ▪ FEM analysis vs reality to be done always when developing new products when relevant (mainly X in the scope) • Sustainability: <ul style="list-style-type: none"> ▪ Recycled plastic implementation step by step, details to be shared ▪ One common approach to recycled agenda to be developed and implemented throughout all BAs, <u>resp. category</u> • Supplier base: <ul style="list-style-type: none"> ▪ Optimise supplier matrix for X ▪ Investigate and implement local sourcing options for X, X and X • Material and technique development: <ul style="list-style-type: none"> ▪ Utilise Cat resources during development phase of projects ▪ All NEWS to be developed in recycled plastic, when possible

4. BA Lighting and 2 Sourcing Assignments

Key activities from BA Lightings' Sourcing Assignments with Category 18 and Category 20 are presented in Table C.4.

Table C.4: Example of key activities quoted from BA Lightings' Sourcing Assignments (IKEA, 2016E).

Category 18
<p>Category:</p> <ul style="list-style-type: none"> • RFQ for X panels <ul style="list-style-type: none"> ▪ Challenge existing supplier ▪ Goal: -X% price development ▪ Finalised: AUG 2017 ▪ Responsible: SD, BDs • Buy strategy for X <ul style="list-style-type: none"> ▪ Evaluation of different logistic set-ups ▪ Goal: -X% on landed cost ▪ Finalised: SEP 2017 ▪ Responsible: CSS • Traceability of critical minerals – create transparency of critical minerals with special attention to X <p>IKEA Components:</p> <ul style="list-style-type: none"> • Setup task force to identify more sustainable material alternatives to be used for X <ul style="list-style-type: none"> ▪ Goal: To have identified the material to be used instead of X in X

- Finalised: FEB 2018
- Responsible: EQR IKEA Components
- Dual sourcing/scenario planning on all components
 - Goal: Have dual sourcing on all components
 - Finalised: AUG 2017
 - Responsible: CM IKEA Components

BA/HFB:

• Product areas (PA)

- Explore how the optimal partner base for the total value chain, including physical and digital products, can look like for different business segments (e.g. X, X, X, X, X, X), create a gap analysis of current partner base, and develop a plan of how to get to optimal setup
 - Finalised: End FY18
 - Responsible: CM, SD
- Increase software competence, quality checks and test capabilities at existing manufacturing suppliers for X and X
 - Finalised: FY18
 - Responsible: CM
- Set up a routine for running RFQs minimum once per year for our largest product families to secure competitiveness
 - Finalised: End FY18
 - Responsible: CM
- Continue to improve sales and supply planning, particularly coordination of first buy and range changes
 - Finalised: Ongoing
 - Responsible: SD
- Explore how to improve setup for key components to create flexibility, shorten lead-times and drive cost development
 - Finalised: FEB FY18
 - Responsible: CM IKEA Components, CM, SD
- Review agreements for digital products
 - Goal: Clear deliverables for suppliers and implement a process on how to review agreements continuously
 - Finalised: AUG18
 - Responsible: CM, SD
- Set up supplier base for the X project that meets IKEA IWAY requirements
 - Finalised: End 2018
 - Responsible: CM, Category Leader IKEA Components
- New materials will require securing compliancy as well as traceability. Need to set up a way of working to secure this
 - Finalised: End 2018
 - Responsible: CM, BD, Sustainability Manager
- Explore a low-price connectivity solution for X
 - Finalised: FY18
 - Responsible: SD, CSS
- Supplier base consolidation (this now includes entire bathroom range as well)
 - Goal: Cost development of -X% with a core supplier base with maximum of X suppliers
 - Finalised: AUG19
 - Responsible: SD, Purchasing, CSS
- Explore low price connectivity solution to support transition from traditional LED light bulbs to connected light bulbs
 - Finalised: FY18
 - Responsible: CM, SD
- Explore make or buy strategy for X
 - Goal: Minimum -X% on landed cost for X
 - Finalised: SEP17
 - Responsible: CSS

• Supply

- Continuously align the goals between BA and category with focus on stock goals
 - Responsible: SM, Category Logistics Manager
- Implement fully tactical demand and need and capacity planning process according to X and its roll out plan
 - Responsible: SM, Category Logistics Manager
- Continuous focus on on-time-delivery from our suppliers and in supply chain
 - Responsible: Category Logistics Manger
- Implement optimal replenishment solution in the multichannel distribution network
 - Responsible: SM, Category Area Logistics Manager
- Increase X orders according to the goals and as a result shorten the response time to our customer need as well as the lead-time from suppliers to customers
 - Responsible: SM, Category Area Logistics Manager
- Increase forecast accuracy for NEWS and improve first buy process
 - Responsible: SM
- Packaging – establish process for revision of optimal packaging/pallet solutions from logistics perspective
 - Responsible: SM, Category Area Logistics Manager
- One supplier capacity process – implement X and secure way of working with operational capacity
 - Responsible: SM, Category Area Logistics Manager

• Quality

- What: Secure we work in a structured way with securing all parts pertaining to quality, safety and compliance from start to finish in each product development project. This also takes into account taking the learning from previous projects so that we continuously improve both process and products.

- How: Follow the agreed product safety risk assessment way of working. Through common milestones with category, purchasing and suppliers we will secure that construction is optimised for manufacturing already from the start
- Finalised: DEC 2016
- Responsible: HFB
- How: Lead production risk assessment and implement product documentation at suppliers and secure that the manufacturing processes is consistent over time
- Finalised: DEC 2016
- Responsible: Category
- **Specific for Category 18**
 - What: Secure functionality and durability for X
 - How: Secure the right quality of components and consistency in production
 - Finalised: DEC 2016
 - Responsible: Purchasing
 - What: Secure compatibility, X and X for X
 - How: Establish test methods and test all dimmable light sources (new and existing) with the most common wall dimmers for all markets at IKEA Test Lab
 - Finalised: DEC 2016
 - Responsible: HFB
 - What: Secure reliability and dimming compatibility as well as packaging that protects the product all the way from the factory to the customers' home for X
 - How: Secure packaging solution
 - Finalised: DEC 2016
 - Responsible: HFB, Category, Purchasing
 - What: Implement test method to verify colour uniformity at all relevant suppliers
 - How: Test and implement new technology, e.g. X, to eliminate the root cause of inconsistent colour uniformity
 - Finalised: FY18
 - Responsible: HFB, Category, Purchasing
 - What: Secure performance and durability for X batteries
 - How: Define and document test methods to secure battery performance
 - Finalised: FY17
 - Responsible: HFB
 - What: Secure customer understanding of Home Smart products
 - How: Implement communication for wireless charging products to secure that customers know how to buy, install and use the products
 - Finalised: Already implemented
 - Responsible: HFB

Category 20

Purchasing:

- **Shared solutions**
 - What: Decrease capital tie up at X suppliers and secure better availability
 - How: Build business case on a range of X components for X production
 - Goal: Cost -X%
 - Finalised: Potentially implementation during FY 2018
 - Responsible: Category
 - Accountable: POD teams
 - Contributing: Shared Solutions, IKEA Components
- **IKEA Components**
 - Optimal sourcing with Category 20's supplier landscape to support category movements (X, X and X)
 - Goal: To have identify the supplier need and have plan to close the gaps
 - Finalised: DEC 2016
 - Responsible: CM IKEA Components
 - Dual sourcing on all components
 - Goal: Have dual sourcing on all components
 - Finalised: AUG 2017
 - Responsible: CM IKEA Components
- **Optimal sourcing**
 - What: Optimise sourcing by increasing regional sourcing in region X
 - How: Through RFQ between existing and potential suppliers in X, move up to X MEUR high volume articles to X
 - Goal: X% price development
 - Finalised: Implementation from RFQ during FY 2018
 - Responsible: Category, POD teams
 - What: Consolidation of supplier base in region X
 - How: Identify suppliers that will be phased out and move their range based on RFQ within X
 - Goal: -X% price development
 - Finalised: Identification during FY 2017, implementation during FY 2018 latest
 - Responsible: Category, POD teams
 - What: Today category has X as development supplier and only pays through production (no X)
 - How: Implement clear X and also use X in a greater extent. Allocate money purely for development meaning, no obligations for production.
 - Finalised: During FY 2018
 - Responsible: HFB10

- What: Secure stable production for our sensitive capacity of critical material X
 - How: By giving input to APL secure a stable range plan for this material well-anchored with category
 - Finalised: Ongoing process
 - Responsible: Category, POD teams
- **Product/production improvements**
 - What: Improve both customer experienced quality and cost for X
 - How: Development in partnership with IKEA Components based on the new X strategy and quality matrix and extend the supplier base to both X supplier and IKEA Components supplier
 - Goal: -X% in cost saving and a legally complied product
 - Finalised: FEB 2018
 - Responsible: POD team
 - What: Improve the cost and apply more environmental friendly surface treatment for X
 - How: Switch the back plate from X to X, switch X plated part to X
 - Goal: -X% in cost saving and a better product for environment
 - Finalised: FY 2017
 - Responsible: POD team

Quality (EQR):

- **General**
 - What: Secure implementation of all compliance related activities pertaining to new or updated legal demands and requirements
 - How: Secure that all new/updated legal demands are put into the product documentation and communicated to category and purchasing
 - Finalised: Continuous
 - Responsible: HFB
- **Specific for Category 20**
 - What: In order to support easy installation and to secure quality and function with snug fit to X as well as to enable atomisation we will implement a new X solution during FY17-20
 - How: Set specification and secure documentation
 - Responsible: HFB, DSS
 - How: Implement in production as per APL
 - Finalised: Fully implemented by FY20
 - Responsible: Purchasing
 - What: In order to secure straightness, stability and durability as well as to improve sustainability we will implement shared solutions: new X, standardised X and a new X as well as clearer requirements for X
 - How: Set and communicate the requirements for X, standardised X and X
 - Finalised: FY20
 - Responsible: HFB

5. BA Textiles and 1 Sourcing Assignment

Main conclusions from BA Textiles' Sourcing Assignment with Category 16 are presented in Table C.5.

Table C.5: Example of main conclusion quoted from BA Textiles' Sourcing Assignment (IKEA, 2016E).

Category 16
<ul style="list-style-type: none"> • Capacity: <ul style="list-style-type: none"> ▪ Secure multiple sourcing on all big families and basics ▪ Secure implementation of PDP/RFQ results in machine-made segment ▪ Secure compliance at X weavers to be able to take news from beginning of FY17 ▪ Local sourcing: Articles/capacities possible to be sourced within X to support retail X need must be evaluated early FY17 • Flexibility: <ul style="list-style-type: none"> ▪ Suppliers with basic families and critical articles must be able to secure variations in need ▪ Capacities variations must be secured according to growth plan (consider Growth with impact etc.). Agreements on flexible capacity should be made according to the grid on basic families and critical articles. • Capacity commitments: <ul style="list-style-type: none"> ▪ No new capacity commitments in handmade segment unless necessary, and must be anchored through an agreement between category and HFB in route with APL projects ▪ Constantly monitor capacity utilisation and commitment for X and secure IKEA investment ▪ No commitment to supplier in X (X) on development of X other than mentioned in APL • Supplier base: <ul style="list-style-type: none"> ▪ Reducing sourcing dependency in X and X and move forward with optimal sourcing and close to market ▪ Secure supply for X market by FY18 • Material and technique development: <ul style="list-style-type: none"> ▪ We expect to move out from oil based fibres such as X, and replace it with X ▪ Converting X to X backing on X latest end FY17 ▪ Create pre-condition for not using mixed materials within same product for recycling purposes • Product improvement potentials: <ul style="list-style-type: none"> ▪ Compliance – secure the basics, including flammability and packaging by FY17

- Investigate smell, edges/corners fraying and fuzziness in X – category and HFB to work together on all these improvement projects
- Project on zero size tolerance in X to support X project
- **Sustainability:**
 - Create pre-conditions for utilisation of wool and other natural materials like X, X and X and others in different techniques and product methods
 - Create traceability for X, ready by FY18
 - Category to develop a clear routine for animal welfare together with HFB, implement FY18
 - Explore the possibility to use recycled X material and for the long-term investigate X

6. BA OSOF and 9 Sourcing Assignments

Actions from BA OSOF's Sourcing Assignments with Category 3, Category 5, Category 7, Category 8, Category 10, Category 15, Category 21, Category 22 and Category 27 are presented in Table C.6.

Table C.6: Example of actions quoted from BA OSOF's Sourcing Assignments (IKEA, 2016E).

Category 3
<ul style="list-style-type: none"> • Capacity and suppliers: <ul style="list-style-type: none"> ▪ FSC for outdoor 100% FY17 – capacity, logistics and price development in X. At least cost neutral. CM meet VM team to anchor BA OSOF/category BPL. Workshops with suppliers and POA team planned during spring 2016. <i>Price development plan to be presented in next revision. Responsible: CM. Logistics development project to be started. Responsible: X.</i> ▪ Eucalyptus in X. More capacity needed. X leading a project to find more capacity and new species. Important to cover all aspects like quality, function, customer perception of quality and total offer, cost, style and supplier strategic fit. <i>To be followed up in next revision. Responsible: CM</i> ▪ X supply setup. <i>To be followed up in next revision. Responsible: CM</i> ▪ We need suppliers skilled in production of mixed material articles. Skills in component sourcing and assembly of wood, metal and plastic. X suppliers on the way in. X and X suppliers are given system and logistic support. <i>To be followed up in next revision. Responsible: CM</i> • Total cost: <ul style="list-style-type: none"> ▪ Value chain reengineering of X in X for outdoor, industrialisation. ▪ Price and volume project with focus on X flooring (wood from X, plastic from X, assembly in X?) and X. <i>Category shall investigate X ÖVERTAG. To be followed up in next revision. Responsible: CM</i> • Others: <ul style="list-style-type: none"> ▪ More openness in the BA – category relations regarding commitments and supply setup needed – summary and follow up on all commitments will be shared with BA twice per year. <i>To be followed up in next revision. Responsible: CM</i> ▪ Innovation – investigate new species in X to secure availability, vitality and price development. <i>To be followed up in next revision. Responsible: CM</i> • Follow-up: <ul style="list-style-type: none"> ▪ Optimal sourcing setup FY18-20, based on commitment ending, inventory balanced, new suppliers etc. <i>Suggestion to be presented by category in first Sourcing Assignment meeting FY17. Responsible: CM</i> ▪ Quality road map, what steps are we going to take to secure sustainable quality. <i>Responsible: CM</i> ▪ Confirm X long-term business strategy, lowest price in function etc. <i>Responsible: HFB/SCM</i>
Category 5
<ul style="list-style-type: none"> • Capacity and suppliers: <ul style="list-style-type: none"> ▪ Home weavers vs. weaving centres, when implemented? Sustainability manager resource to evaluate and set future strategy regarding home weaving, weaving centres and machine weaving. Price development, quality, sustainability/social responsibility, storytelling and capacity should be covered in this evaluation. The sustainability manager is welcome to present the project to the BA. <i>To be followed up in next revision. Responsible: CM</i> ▪ NEWS development, how do we improve cooperation together? How do we improve our performance and precision? <i>More info/range insights and coordination between POD team and category wanted by category.</i> ▪ A material day between BA and category to be initiated. Could be different options. POD team to visit planned week X fair, POA team to visit IKEA of Sweden. POD to go to POA. <i>Responsible to set final suggestion: CM and SCM</i> ▪ Handmade vs. machine connected to range plan and price and quality ladder, we need to set common strategy together. Design for machine, what does it take. Category are bringing in an external expert in X to educate/challenge the supplier base. How do we connect this to future range development? To be followed up in next revision. <i>Responsible: CM/SCM</i> ▪ Growth in outdoor. Flow coating and surface treatment, material and technique development, connected to X and X? More suppliers and increased dynamics needed in the supplier base. <i>Category to show status of future supplier landscape at next Sourcing Assignment meeting.</i> • Total cost: <ul style="list-style-type: none"> ▪ More material and sourcing areas, X raw material usage – new materials and possibilities – <i>Category needs to be more proactive in presenting new materials etc. to POD teams. X and X etc. to be followed up in next revision.</i> ▪ Long-term price development plan (with latest LTP) to be presented in next revision. <i>Responsible: CM</i> ▪ A joint task force on X shall be implemented to set up a project (start, finish and goal) to get price development, sustainability and product development on track. <i>Responsible: CM/SCM</i>

<ul style="list-style-type: none"> • Quality: <ul style="list-style-type: none"> ▪ Surface treatment connected to outdoor X coating ▪ Focus on process control
Category 7
<ul style="list-style-type: none"> • Capacity and suppliers: <ul style="list-style-type: none"> ▪ X supplier base – any interesting suppliers for key families or is X enough? No plans for X suppliers. ▪ The direction is to be not more than X% dependent on X to create dynamics in supply base and not place more than X% of production in X to avoid too big business risk. • Total cost: <ul style="list-style-type: none"> ▪ Price development according to commitment on X. What is the status this year? Category to come back regarding volume increase effect and A/B side effect especially at X. ▪ X – BA in lead with IKEA Components support regarding development of X (plastic vs. metal solution) • Others: <ul style="list-style-type: none"> ▪ More openness in the BA – category relations regarding commitments and supply setup needed. Yearly follow up on commitments regarding volumes, price development and quality.
Category 8
<ul style="list-style-type: none"> • Capacity and suppliers: <ul style="list-style-type: none"> ▪ Supplier/capacity alignment with long-term demand in X. <i>Category to meet POD team for action plan confirmation. BA/category meet X retail and supplier. New long-term forecast to be created and handed over to category (Responsible: SCM). As soon as possible after that relook the total capacity vs. demand picture for category and BA. Responsible for invite: CM. Plan for how we take care of existing volumes in DC connected to above. Responsible: SM/BD.</i> • Total cost: <ul style="list-style-type: none"> ▪ Securing implementation of X latest 2016. X test to be started in April on X. How to launch/implement/secure chain of custody. Time plan to be created. <i>Responsible: Category (with full support from BA)</i> ▪ Offset price increases caused by not fulfilling volumes. <i>Actions to be presented to team when ready/materialised. Think of total Democratic Design picture when creating the case. To be followed up in next revision. Responsible: CM/SCM</i> • Others: <ul style="list-style-type: none"> ▪ X brainstorm day: How can we enable a better/renewed cooperation between our teams. Next generation X, take the eye from the today and into future. <i>Responsible to setup: SCM/CM.</i>
Category 10
<ul style="list-style-type: none"> • Capacity and suppliers: <ul style="list-style-type: none"> ▪ More/new X suppliers. Bundle volumes, general agreements. Need to work close to Category 15. Expect common plan. <i>Decision: CM for Category 15 is in lead for total X agenda, Category 10 is in complete alignment with development on fabric sourcing agenda.</i> • Total cost: <ul style="list-style-type: none"> ▪ Optimise matrix allocation. <i>Decision: Category will start a logistic development project connected to HFB17. CM to come back with kick-off, project scope and needed resources. Full support from HFB.</i> • Quality: <ul style="list-style-type: none"> ▪ X development, durability/coating. <i>Decision: What is possible? What can we do. Category to present options as part of X retake. X and X to be mapped and investigated as filling. Follow up on week X actions.</i> • Sustainability: <ul style="list-style-type: none"> ▪ 100% recycled and renewable 2020, what is our roadmap. <i>Decision: All NEWS in shall be 100% X according to HFB action plan. Total transition plan owned by CM and X. Continue to follow up development.</i> • Others: <ul style="list-style-type: none"> ▪ Next generation X. Explore together. Material, construction (modularity), design for production, prepare for vitality. Comfort, new types of filling stretching price and quality ladder. Platform thinking and standard sizes to fit all furniture, investigate industry standard. <i>Decision: X.</i>
Category 15
<ul style="list-style-type: none"> • Capacity and suppliers: <ul style="list-style-type: none"> ▪ New stitching supplier X. <i>Agreed: CM to invite for a meeting with update on outcome on running projects connected to suppliers in X for boxes.</i> ▪ Input on suppliers skilled at mixed material production (textile, plastic, carbon steel) to support X. <i>X to connect to category for action plan.</i> • Total cost: <ul style="list-style-type: none"> ▪ Logistic development project. Update: Project kicked-off. Project leader will call for update. Secure and align long-term price development plan. <i>Agreed: Latest communicated plan still valid. New plan to be confirmed after CC.</i> • Quality: <ul style="list-style-type: none"> ▪ Engineering and quality agenda – to be followed up, what should be on the Sourcing Assignment agenda? • Sustainability: <ul style="list-style-type: none"> ▪ Recycled and renewable materials 100% 2020? <i>Agreed: Category in lead for development. HFB confirms shared agenda and will support development.</i> ▪ Raw material control, backward integration • Others: <ul style="list-style-type: none"> ▪ Next generation boxes. <i>Agreed: Category will invite to the meeting with machine makers to understand the possibility in technologies (what techniques are possible to be used in production of boxes, possibilities and limitations)</i>

Category 21
<ul style="list-style-type: none"> • Capacity and suppliers: <ul style="list-style-type: none"> ▪ X probably will mean increased aluminium interest, show possibilities in tech, material, looks and price development to the X team. ▪ Establish supplier base in X. ▪ We need mixed material/component assembly suppliers. • Total cost: <ul style="list-style-type: none"> ▪ Present price development on top families on each HFB in order create goal sheet. • Sustainability: <ul style="list-style-type: none"> ▪ Traceability and recycled X, status? One third recycled aluminium is in X, now it is about capturing it. RFQ started on X as a first step. Ambition recycled 100% 2020. • Others: <ul style="list-style-type: none"> ▪ Price/volume opportunities, hand in to SCM. ▪ Invite for workshop for outdoor.
Category 22
<ul style="list-style-type: none"> • Capacity and suppliers: <ul style="list-style-type: none"> ▪ We need suppliers skilled in production of mixed material articles. Skills in component sourcing and assembly of wood, metal and plastic. ▪ Maintain and improve X until FY20. Follow up on status and results of thinner steel in wall up rights and brackets at X and X. ▪ New X and X suppliers with development capabilities ▪ Workshop category meeting HFB17 presenting range, volumes and demands. Aim is to present long-term supply setup in X. Surface treatment investment. • Total cost: <ul style="list-style-type: none"> ▪ RM price development? RM cost can increase X% in X and X% in X FY17. Category council price development will probably not happen, flat price development to be expected. • Quality: <ul style="list-style-type: none"> ▪ BA OSOF wants overview on IWAY status/risk of outdoor X supplier base twice per year. Outsourcing to sub-suppliers means risk. ▪ X – what category would be driving/owning the X business? We do have one supplier today but it is not managed by a category (only New Business). How shall we be able to take this forward and offer a complete range without anyone taking ownership? Lift issue to X for decision of category belonging of X business.
Category 27
<ul style="list-style-type: none"> • Capacity and suppliers: <ul style="list-style-type: none"> ▪ Closer to customer on key series, X development plan, X and X ▪ Peak stock planning X, learnings X ▪ X plastic box – speed up mould making. Discuss how to avoid future delays and issues and increase transparency in ramp up phase. • Total cost: <ul style="list-style-type: none"> ▪ How do we get better control of/more aligned on future price development? Crucial for total business planning in HFB18. <u>More transparency and collaboration Category/HFB.</u> • Sustainability: <ul style="list-style-type: none"> ▪ Roadmap of 100% recycled and renewable 2020 needs to be created. Transparent is make it or break it. Communication strategy. • Others: <ul style="list-style-type: none"> ▪ X plastic connection – mapping of what’s available, focus on top material, what different solutions we can use, from low to high price to get complete picture. Recyclable and renewable as one part. <u>Category responsible.</u> • Follow-up: <ul style="list-style-type: none"> ▪ Long-term plan on X to secure tool setup and supplier for future. <u>Action: X to get back to category with latest LTP.</u> ▪ Compliance – no/go ongoing project both category and HFB. <u>Action: SCM to clarify BA OSOF process to CM.</u> ▪ Transparent X recycled/renewed update. <u>Action: CM to connect to RM/SCM and POD team when samples and roadmap ahead is set.</u> ▪ We have had a somewhat turbulent year with a lot of delays and changes on construction and miscommunication and need to take learnings on how we can cooperate even better in the future. <u>Action: SCM and CM to set up a day/half day after summer including key stakeholders from POD and category to reflect on last year’s deliveries and take learnings.</u> ▪ Outdoor connection. Category 27 is very ready to support and to understand where and how they can tap into HFB17 BPL and APL planning. <u>Action: X to ensure to include X and assign development potentials for the category to investigate. SCM to define areas for category to explore and be more precise in what we are looking for.</u>

D. Appendix 4: Interview guide

The interview guide is structured to follow a time-glass model, i.e. questions are asked in the order of open-specific-open.

Introduction

- Present the purpose with the master's thesis to the interviewee
- Describe how the empirical data will be used and that an interview report will be sent
- Explain the agenda for the interview session and ask for permission to record

Basic information

- Name and title:
 - Category Area/Category (*if applicable*):
 - Relations with BAs/HFBs:
 - Sourcing Assignments with BAs/HFBs:
 - BA/HFB (*if applicable*):
 - Relations with categories:
 - Sourcing Assignments with categories:
- Years in current position and years at IKEA:

Background

1. What is (the purpose of) a Sourcing Assignment according to you?
2. Which Sourcing Assignments do you have in place today and why?
3. What is the value of each Sourcing Assignment link? (*Show Figure 1.3*)
4. What is each category's percentage share in the BA? (*ask BAs/HFBs*)
5. What is each BA's/HFB's percentage share in the category? (*ask categories*)

Current way of working

Work process

1. Can you describe your involvement in and way of working with Sourcing Assignments?
 - a. Is there a process in place? If so, which are the process steps and sequence?
 - b. What information is needed from internal stakeholders in the process?
 - c. What inputs and outputs exist in the process?
 - d. Who is doing what?
 - e. Who reviews finalised Sourcing Assignments? Why?
2. Why do you work with Sourcing Assignments in this way?
 - a. Why is it ad hoc? Why is it structured?
3. How has your Sourcing Assignment process worked out so far?
 - a. What worked well? Why?
 - b. What are currently the main limitations? Why?
 - c. What problems did you encounter? How did you solve them?
 - d. Does it fit well in the yearly business cycle? Any conflicts?
4. What do you perceive as difficult to agree on in the process? Why?

5. Do you think the freedom given in creating Sourcing Assignments has been an advantage or disadvantage? Why?
 - a. How much time is spent on Sourcing Assignments?
 - b. What is the meeting frequency? Follow-up meetings?
 - c. Which are the involved internal stakeholders/meeting attendees?
 - d. How are meeting agendas structured? Any decision-making points or go/no-go points?
 - e. How is the internal coordination for Sourcing Assignments handled?
 - f. Who is in charge? Does any process owner/leader exist?
 - g. How do you measure compliance to agreements in the process? What happens if they are not fulfilled?
6. Are the current work tools you have adequate? Why or why not?

Document template

1. How have you used the Sourcing Assignment starter package (status quo)? Why?
 - a. What was useful? What was not useful? What did you miss?
2. Do you use the same Sourcing Assignment document template in all cases? Why?
 - a. Why do you only use a checklist? (*if applicable*)
 - b. Why have you replaced status quo with your own template? (*if applicable*)
 - c. Why have you not changed anything from status quo? (*if applicable*)
3. Why did you decide to include the content you have today?
 - a. Why did you remove X from status quo? (*if applicable*)
 - b. Why did you add Y to status quo? (*if applicable*)
 - c. Why did you keep Z from status quo? (*if applicable*)
4. How is the Sourcing Assignment content/document communicated/used internally?
 - a. What is Sourcing Assignments input for? Category plans? Tactical and operational purchasing activities?

Desired way of working

1. What do you think should be improved regarding Sourcing Assignments? Why?
 - a. Deliverables? Meetings? Work tools? Follow-ups? Continuous reviews/quality checks? Process owner and responsibility? Etc.
2. Should the work process be more standardised? Why or why not?
3. Should Sourcing Assignments be treated differently? Why or why not? How?
4. What role should Sourcing Assignments have according to you?
 - a. Steering document? Category plan input? Information sharing? Etc.
5. What content should be included in Sourcing Assignments? Why?
6. When does Sourcing Assignments fit best in the year cycle?
7. Any other thoughts how you desire to work with the process and/or document?

Wrap up

Present previously interviewed BAs/HFBs and categories and ask if the interviewee can recommend someone with insight about Sourcing Assignment for further consultation. Ask for any useful/related material for Sourcing Assignment that the interviewee might want to share.

E. Appendix 5: Interviewed IKEA employees

This appendix shows a summary of the 19 interviewees interviewed at IKEA resulting in a total of 21 interview session, see Table E.1. The roles, part of the organisation, i.e. BA or category area/category, and years at IKEA are presented. It could give a bit better understanding of individuals' viewpoints working with the Sourcing Assignment documents and process since long-time employees might view things differently than recent recruits. Note that IKEA underwent an organisational change a few years ago, hence the rather short times in current positions. For instance, many CMs has previously been Category Leaders for several years in the old organisation.

Table E.1: Overview of the interviews arranged vid representatives involved in Sourcing Assignments.

ID	Role	Part of organisation	Date	Time	Years in position	Years in IKEA
1	CAM	Category Area 3	2017-03-03 2017-03-14	45 mins 55 mins	?	?
2	SDM	BA LWR	2017-03-07	90 mins	2	18
3	CM	Category 27	2017-03-07 2017-03-09	45 mins 70 mins	2	19
4	CM	Category 11	2017-03-09	70 mins	2	27
5	SDM	BA OSOF	2017-03-14	90 mins	2	5
6	CM	Category 25	2017-03-15	90 mins	2	12
7	SDM	BA Textiles	2017-03-16	60 mins	2	11
8	SD	BA Textiles	2017-03-16	60 mins	6 months	3
9	SDM	BA K&D	2017-03-17	50 mins	2	10
10	SCM	BA OSOF	2017-03-20	60 mins	2	10
11	SCM	BA B&B	2017-03-23	75 mins	2	14
12	CM	Category 15	2017-03-23	100 mins	2,5	7
13	CM	Category 14	2017-03-28	90 mins	2	11
14	CM (CAM)	Category 1 (Category Area 1)	2017-04-04	90 mins	1 month	30
15	SCM	BA Lighting	2017-04-06	60 mins	2	10
16	CM	Category 22	2017-04-06	45 mins	2	35
17	Assistant PDM	Purchasing Development	2017-04-10	50 mins	?	?
18	DCM	Category 20	2017-05-22	30 mins	6 months	6
19	CM	Category 16	2017-05-22	60 mins	3	3

F. Appendix 6: Sourcing Assignment starter package (status quo)

This appendix contains most of the PowerPoint slides, the complete Excel checklist and Word template headings which was part of the Sourcing Assignment starter package (status quo). Sensitive information is removed. The slides are from a presentation updated in January 2017 with slight updates to the original status quo version. For instance, it was clarified that SCM invite in spring and CM invite in autumn. Also, the dates were reformulated as deadlines, e.g. meeting periods “Aug-Oct” and “Jan-March” were replaced by “latest Oct 31” and “latest March 31”. Further, the date for finalising Sourcing Assignment was moved from March to April. “Input from retail on pricing (June)” has also been replaced with “input from retail on market needs (May)”. At the same time meeting content was specified as ‘to be updated’. The example Sourcing Assignment Word template was done between BA Lighting and Category 20, i.e. part of Case 4.

1. PowerPoint slides



IKEA Sourcing Assignment	
Business Area & HFB	The assignment for the Business Area is to lead the business end to end. Goals and direction for Purchasing is set in one common business plan process. The Business Area is the gearbox between range and category.
Purchasing & Category	The assignment for the category is to lead Purchasing based on common agenda created in One Common Business Plan Process/Sourcing Assignment. Category develops the plans as well as executes in the business development teams
Material & Innovation (M&I)/Shared solution (DSS)	<p>The Material & Innovation Development assignment is to develop new materials with focus on innovation and all elements of Democratic Design. M&ID works in close alignment with the Category organization to secure synergies in the common development portfolio</p> <p>The Shared Solutions Development assignment is to develop solutions that can be used in different products and across the different Home Furnishing Businesses. The objective is to build strategic product development platforms to be used as the foundation in the future development of the majority of our range offer, to significantly improve all elements of Democratic Design.</p>

This document is common for all BA/HFB and Category Areas/Categories

Content

- Description of Sourcing assignment
- Ways of working HFB / Category / Material & Innovation
- Meeting structure for decision making
- Next steps



IKEA Sourcing Assignment

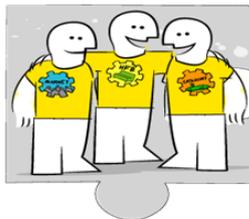
- HFB is in the lead developing the ONE IKEA business plan turning needs of the many into one common business plan
- Sourcing assignment is the **documented handshake** between the HFB and Category
- Time perspective is rolling 3 years with follow up over the year



From ONE Business plan process

IKEA Sourcing Assignment

- Sourcing assignment is the **documented handshake between the HFBs and the Categories/Category Area** of the need described in the approved ONE IKEA business plan
- Based on the sourcing assignments, the category is to develop a category plan and secure an **optimal sourcing setup for each market**



The Sourcing Assignment has two levels

- **Strategic:** 3-5 years perspective, high level content range- and growth plan to build/reduce capacities.
- **Tactical:** 18-36 months: detailed range- and growth plans and HFB agenda for running range
- **Operational level** (up to 18 months) is handled via existing Business Contingency Planning process and regular performance follow up/deviation handling in HFB.

IKEA Sourcing Assignment

- Categories gives input to ONE business plan in a SWOT where supplier/category business opportunities are identified
- Sourcing Assignment gives input to the Category plan (approved in Category Council)
- **Supply Chain Manager** is responsible to hand over business plan, range priorities etc to Category
- **Category Manager (CM) & deputy CM** is responsible to prioritize & finalize needed action to deliver to the business plan
- CM and SCM co-creates the final sourcing assignment
- Category is responsible to align input/output with IKEA Components, IKEA Industry and Free Range (when relevant)

*If a category and a HFB both have **mutual limited impact**; (e.g. <5% of the volume in both HFB AND category), the SCM and CM can agree on a minimum level of Sourcing Assignment. **Though a need forecast must always be handed over from HFB.***

IKEA Sourcing Assignment

Time perspective

The capacity build up/down in a category/segment defines the need to cover different time horizons in the meetings

Focus

Tactical level is main focus, but current operational performance as well as strategic level are to be discussed



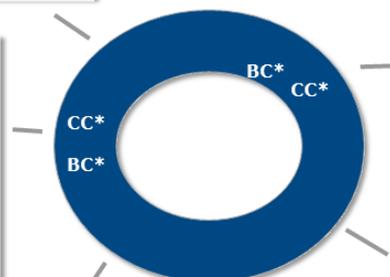
Year Cycle

Business Contingency Planning Startup (Sept-April)

Meeting nr 1 HFB Business plan input (latest Oct 31)

- Performance follow up
- Input to BPL
- Alignment on focus areas and creation of draft Sourcing Assignment
- Year 2 follow up of existing Sourcing Assignment
- CM inviting

Business plan kickoff (Aug)



Meeting nr 2 Handover of Sourcing Assignment (latest March 31)

- After Business Council & approval of Business plan
- Input to the Category Council and Supplier Action plans
- Documented handover finalized in a Sourcing Assignment (April 30)
- SCM inviting

Input from Retail on market needs (May)

*BC = Business Council
*CC = Category Council

Meeting Content (to be updated)

Type of meeting	Agenda	Owner	Attendees	Frequency	Outcome
One BPL Kick off (Aug-Sept)	Business Plan Kickoff	Supply Chain Manager	HFB: Business Leader, Supply Chain manager, CAT: CM, CAM	1 time/year August	Input on future direction IKEA
Strategical alignment (3-5 years)	Input to BUILD up/DOWN size/CONVERSION of capacities HFB: Long term view on range and growth dev CA/Cat: Long term view on capacity dev, update ongoing projects and potential dev areas M&I, DSS: new technologies & materials, update ongoing projects and potential dev areas	Supply Chain Manager	HFB: Business Leader, Range manager, EQR CAT: CM, CAM, (when relevant) EQM, Sust mgr, Log mgr M&I: M&I leader (when relevant) DSS: DSS leader (when relevant)	1 time/year	Decision on capacity build up/down
Tactical Alignment (1-3 years)	Input how to UTILISE capacities HFB: Growth drivers and Change drivers for HFB, key family dev, Range changes (News & UTG), Commercial Priorities/needs. Input on requirements development suppliers. CA/Cat: update category plan, material capacity and cost dev, capacity opportunities etc. Update Supplier classification and development suppliers. M&I/DSS: update ongoing projects and developments	Supply Chain Manager	HFB: Business Leader, Range manager CAT: CM, CAM, M&I: M&I leader (when relevant) DSS: DSS leader (when relevant)	1 time/year	Update Business Council Update Category Council Agreed SWOT Detailed range and growth plan Sourcing Assignment
Operational alignment (current FY)	Operational update: <ul style="list-style-type: none"> Performance follow up Follow up of "sourcing assignment" Cap com (follow up and new ones) Input from retail pricing for coming FY (May- June) 	Category Manager	HFB: Supply Chain manager, Sourcing Developer CAT: CM, Category Sourcing Specialist	Minimum 1 time/year	BCP document

Strategical Alignment

example of content



Input to BUILD up/DOWN size capacities

Wished position HFB described in

- Growth plan 3 years per HFB
- Range plan 3 years per HFB

Growth drivers and Change drivers for HFB

Specific input based on need:

- Democratic Design Movements
- Strategic initiatives in material and technique development
- Needs of capabilities on development suppliers
- Laws & Standard requirements
- Competence needs



Tactical Alignment

example of content



Input UTILISE capacities

Growth plan

18-36 months per HFB (in pieces)
On segment and region level (if needed for capacity build up)

Growth drivers and change drivers for HFB

- Key family development
- Range changes (News & UTG)
- Commercial priorities incl. price investments, price & volume, specific total cost reductions, SL classification, dependency of system articles

Specific input based on need in each business

- Improvement agenda running range
- Strategic initiatives
- Material and technique development
- Laws & Standard requirements
- Competence needs

Operational Alignment



example of content

- Business Contingency Planning
- Secure connection between Sourcing Assignment, Category plan and APL Purchasing operations
- Moves and improves agenda
- Deviations are to be handled via regular meeting structure in HFB

Category Manager Responsible to secure that HFB is updated immediately on deviations from agreed performance in the Sourcing Assignments and Category plan

Supply Chain Manager Responsible to secure that Category is updated immediately on deviations from agreed Sourcing Assignment

Link to BCP in Purchase manual:
(Link removed by author)

Appendix

Bed & Bath example capacity needs	<ul style="list-style-type: none"> • HFB4 merged.xls • LTP merged for categories: 24 HFB.xls 	
Ways of working	<ul style="list-style-type: none"> • Approved Sourcing Assignment FY16.pptx • Pilot Sourcing Assignment [unclear].docx • FY16 Sourcing AssignmentTemplate.xlsx 	

2. Excel checklist

SOURCING ASSIGNMENT		
HFB/BA:		Date: YYMMDD
Material & Innovation/DSS:		
Category/Category Area:		
Supply Chain Manager:		
Category Manager:		
FY:		
<p>Sourcing Assignment is a documented handshake from HFB to categories, ensuring business teams have right preconditions for excellent performance.</p> <p>This document is a checklist to support the formulation of an assignment specific to a Category.</p> <p>Documentation of the Sourcing Assignment is important. Keep it simple! This is a checklist to facilitate and not to forget important points in the dialogue.</p> <p>Deviations from the assignment is to be handled direct, and accountable from category is Category Manager and from HFB Supply Chain Manager.</p> <p>Preparation before meeting (pre-read): SWOT from Category, Material Strategy (if relevant) from CAM</p>		

Short update for all		Resp.	Comment	Done	
Business	SHORT TERM (current FY)				
	Follow-up current Sourcing Assignment	CM/SCM			
	Performance update: Cost development / Quality / Availability / Sustainability	CM			
	KPI performance update HFB (deviations)	SCM			
	Running projects in Category connected to HFB, M&I, DSS	CM			
	Handshake agreements & Projects with New Business teams/Free range	CM			
	Status on Product Development suppliers (incl. Non-Disclosure Agreement / Product Dev. Agreement)	CM			
	Update NEWS, MOVES and IMPROVES	SCM/CM			
	Suppliers where IKEA is not living up to promises – current status and actions	CM			
	People update	SCM/CM			
	<i>HFB or Category specific topic (if applicable)</i>				
	<i>HFB or Category specific topic (if applicable)</i>				
	<i>HFB or Category specific topic (if applicable)</i>				
	Focus for Sourcing Assignment		Resp.	Comment	Done
	MID TERM (next 2 FYs)				
	HFB Business Plan update (handover after approval in BC)	SCM			
	Handover of Growth plan per year (region, family, pcs if relevant for capacity build-up)	SCM			
	Range development NEWS and UTG	SCM			
	Range development with Free Range	SCM			
	Engineer and Quality agenda	SCM/CM			
	Shift in technology in range	ALL			
	Change drivers and commercial priorities	SCM			
	Material & Technique Development / Innovation agenda	M&I			
	New Capacity Commitments (for info only, separate business case to be shared)	CM			
	Capacity Commitments - update performance on existing	CM			
	Dialogue on flexibility in capacities (based on meeting sales pattern and in sales start)	SCM/CM			
	Update DSS agenda	SCM/DSS			
	IKEA Industry assignments/projects	CM			
IKEA Components assignments/projects	CM				
Need of investment, lead-time	CM				
LONG TERM (beyond 2 FYs)					
Material Strategy (if applicable)	CAM				
ÖVERTAG	ALL				
Capacity/need development (mid- and long-term), Supplier landscape	CM/SCM				
Step change in quality	CM/SCM				
Material & Technique Development / Innovation Agenda in home furnishing context	SCM				
<i>HFB or Category specific topic (if applicable)</i>					
<i>HFB or Category specific topic (if applicable)</i>					
<i>HFB or Category specific topic (if applicable)</i>					
Sourcing Assignment		Resp.	Comment	Done	
1. Appendix LTP, BPL, APL etc.					
2. Appendix SWOT, Supplier classification, Supplier landscape etc.					
3.					
4.					
5.					
6.					
7.					
8.					
Next meeting and agreed follow-up		Resp.	Comment	Done	
1.					
2.					
3.					

3. Word template

Below is the cover page and table of contents from the Word template between BA Lighting and Category 20 which was part of status quo and Case 4 in this master's thesis.



Sourcing Assignment

Between BA LIGHTING and the Category 20

Version: 1.0

Signing for Service	Date	Signature
Supply Chain Manager for BA LIGHTING – X	YYYY-MM-DD	
Category Manager for CATEGORY 20 – X	YYYY-MM-DD	

Revision History

Date	Version	Description	Author
YYYY-MM-DD	1.0		

Table of contents

1. INTRODUCTION

- 1.1 Purpose
- 1.2 Scope
- 1.3 General principles
- 1.4 Definition & Processes
- 1.5 Document storage location
- 1.6 Routines regarding revision and updates

2. CURRENT PERFORMANCE OF CATEGORY 20

- 2.1 General update
- 2.2 Purchase price development
- 2.3 Growth
- 2.4 Profitability
- 2.5 Quality
- 2.6 Availability
- 2.7 Logistics (on time delivery and stock weeks)
- 2.8 Sustainability

3. HFB BUSINESS PLAN

- 3.1 Long-term objectives
- 3.2 Change drivers
- 3.3 Growth drivers

4. GROWTH GRID FY16-FY19

- 4.1 Main conclusions connected to the growth grid

5. GROWTH PLAN FY16-FY18

- 5.1 Main conclusions connected to the growth plan

6. SOURCING ASSIGNMENT – MAIN CONCLUSIONS

- 6.1 Capacity
- 6.2 Supplier base
- 6.3 Material and technique development
- 6.4 Identify and select product improvement potentials

7. APPENDIXES

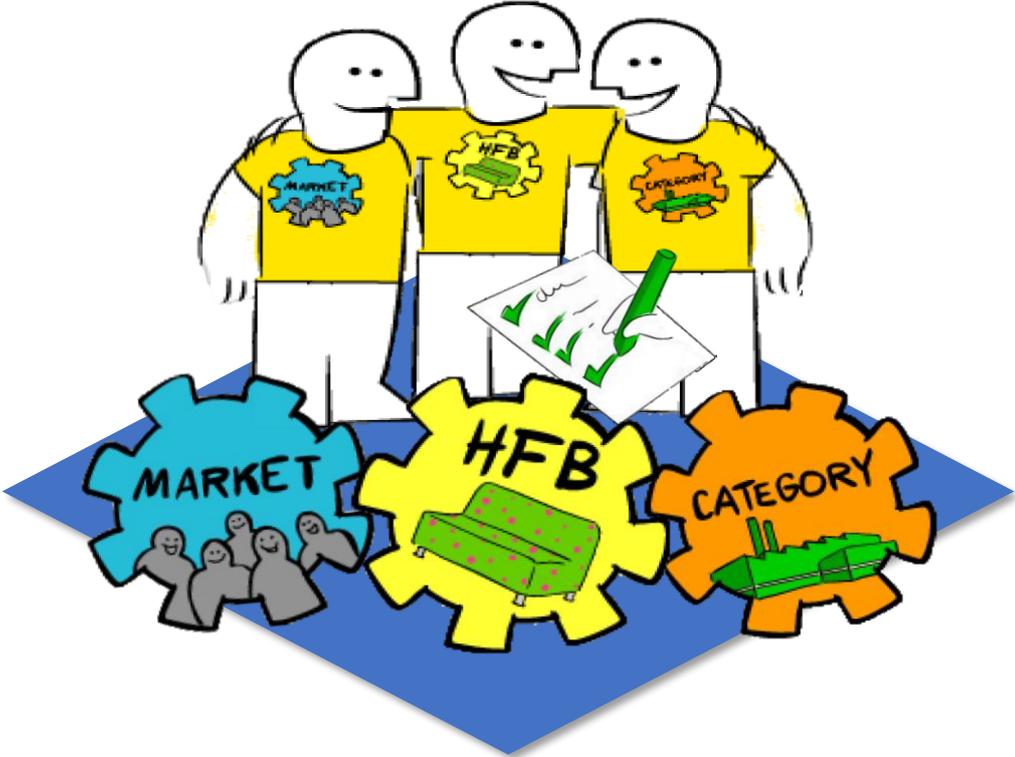
- 7.1 Category 20 KPI map
- 7.2 BA Lighting HFB10 goal sheet
- 7.3 Important links

G. Appendix 7: Sourcing Assignment handbook

This appendix contains the Sourcing Assignment document construct in the form of a handbook. An updated document template was requested by IKEA as an objective of the master’s thesis and the following template is proposed to be used as part of the Sourcing Assignment process construct in Section 6.1. Elements included in this template resulted from the cross-case analysis and the two construct tests.

Sourcing Assignment

A handbook for tactical actions agreement between BA/HFB X and Category X



Meeting date	YYYY-MM-DD			
Review date \triangle	YYYY-MM-DD			
Organisation	Responsible	Signature	Accountable	Signature
BA X	E.g. SD, SDM or SCM		SCM	
Category X	E.g. CSS or CM		CM	

Revision history			
Date	Ver. #	Description	Author
YYYY-MM-DD	1	E.g. Meeting 0: Creation of first version	
YYYY-MM-DD	2	E.g. Meeting 1 in FY18: BPL input sharing	
YYYY-MM-DD	3	E.g. Meeting 2 in FY18: Tactical follow-up and update	
YYYY-MM-DD	4	E.g. Meeting 1 in FY19: BPL input sharing + Operational follow-up	
YYYY-MM-DD	5	E.g. Meeting 2 in FY 19: Tactical + Strategic follow-up and update	
YYYY-MM-DD	Etc.	Etc.	

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1. Introduction

1.1. Purpose

The Sourcing Assignment is the documented deliverables in the form of agreed actions between the SCM in the BA and the CM in the category which should be delivered during the respective fiscal years.

The document exists to minimise the distance between BA, category and the market in IKEA's value chain to jointly improve IKEA's business. It serves as a cross-functional platform in the organisational interface where BA and category can brainstorm and create business alignment together.

1.2. Scope

The scope includes actionable topics concerning any relevant topic for the BA and category Sourcing Assignment relation in question. Focus can be directed on capacities and other agreed actions in the tactical time horizon.

1.3. Process and way of working

Depending on the internal power-dependency, i.e. category share in BA versus BA share in category, different process routes are applicable, i.e. low/mid priority level or top priority level, see Figure 4 and Figure 5 in Appendix.

1.4. Sourcing Assignment year cycle

A meeting where the first Sourcing Assignment document version is created is recommended in May. When the process has been initiated meetings occur minimum either once (for low/mid priority) or twice (for top priority) per year during scheduled Sourcing Assignment weeks in May and October. A follow-up and update of agreements are done at these meetings. Parallel processes are connected to Sourcing Assignment and the preparatory steps throughout IKEA's year cycle are found in Figure 6 in Appendix.

1.5. Practical matters

The signed and reviewed Sourcing Assignment document, and relevant appendix material, should be accessible at a common drive with a link provided.

Documents should be kept short and concise with specific agreed actions outlined. Redundant information should be excluded.

BA lead the spring meeting and category the autumn meeting with both having a shared responsibility to secure a meeting and signed document before deadlines in May and October.

Use Sourcing Assignment as a reference document continuously throughout the year and update whenever needed. Operational actions in BA and category should always strive for alignment with the tactical agreements specified within this document.

Use the simple reminder list within meetings to not forget any essentials.

Table 1: *Reminder list.*

- | |
|--|
| <ul style="list-style-type: none">✓ Assign notetaker and meeting facilitator✓ Use document template as meeting agenda✓ Let everyone speak up✓ Keep long-term mindset✓ Collectively specify agreed actions✓ Always specify responsible, time plan and priority✓ Plan follow-up meeting✓ Etc. |
|--|

2. Preparation

Guideline: Follow the Sourcing Assignment year cycle, see Figure 6 in Appendix. Specify expectations, pre-read comments and long-term discussion topics before meeting. Remember the practical reminder list in Table 1 while sitting in meetings.

2.1. Expectations alignment

Guideline: Fill in expectations on each other for the Sourcing Assignment relation and future co-operation in general. Start Meeting 0 with expectations alignment.

Table 2: Expectations alignment

Expectations on:	BA expectations	Category expectations
<ul style="list-style-type: none"> • BA • Category • Sourcing Assignment • Etc. 	<ul style="list-style-type: none"> • Expectation 1 • Expectation 2 • Expectation 3 • Etc. 	<ul style="list-style-type: none"> • Expectation 1 • Expectation 2 • Expectation 3 • Etc.

2.2. Pre-read comments

Guideline: Fill in comments to bring into meeting while reading through pre-reads.

Table 3: Pre-read comments.

Pre-read document	BA employees	Category employees
<ul style="list-style-type: none"> • Document 1 • Document 2 • Document 3 • Etc. 	<ul style="list-style-type: none"> • Comment 1 • Comment 2 • Comment 3 • Etc. 	<ul style="list-style-type: none"> • Comment 1 • Comment 2 • Comment 3 • Etc.

2.3. Long-term discussion topics

Guideline: Prepare long-term discussion topics desired to discuss in Sourcing Assignment meetings.

Table 4: Long-term discussion topics.

Time horizon	BA	Category
Strategic (3-5 years)	<ul style="list-style-type: none"> • Topic 1 • Topic 2 • Topic 3 	<ul style="list-style-type: none"> • Topic 1 • Topic 2 • Topic 3
Tactical (18-36 months)	<ul style="list-style-type: none"> • Topic 1 • Topic 2 • Topic 3 	<ul style="list-style-type: none"> • Topic 1 • Topic 2 • Topic 3
Operational (0-18 months) (only if applicable)	<ul style="list-style-type: none"> • Topic 1 • Topic 2 • Topic 3 	<ul style="list-style-type: none"> • Topic 1 • Topic 2 • Topic 3

3. Agreed actions

Guideline: Discuss in order: strategic, tactical and if applicable operational. Allocate majority of meeting time to topics in the tactical time horizon.



Figure 1: Time horizon focus for Sourcing Assignment.

3.1. Actionable topics

Guideline: Select the most important topics for the Sourcing Assignment relation in question. Topics can be added or removed over the years if priority change.

Table 5: A non-exhaustive inspirational list of actionable topics to select from.

	Topic	Priority	Comment
■	Capacity	3	
■	Supplier base	4	
<input type="checkbox"/>	Development suppliers		
<input type="checkbox"/>	Mixed materials and critical materials		
<input type="checkbox"/>	Materials and innovation (M&I)		
<input type="checkbox"/>	Industry trends		
<input type="checkbox"/>	Competitive advantage (ÖVERTAG)		
<input type="checkbox"/>	Product and production improvement		
<input type="checkbox"/>	Production techniques and technologies		
<input type="checkbox"/>	Shared solutions (DSS)		
<input type="checkbox"/>	Investments		
■	Sustainability	2	
<input type="checkbox"/>	Legal, compliance and standards		
■	Quality	1	
<input type="checkbox"/>	Competence need		
<input type="checkbox"/>	IKEA's value chain		
<input type="checkbox"/>	Processes and way of working		
<input type="checkbox"/>	Product range development		
<input type="checkbox"/>	IWAY risk (supplier code of conduct)		
<input type="checkbox"/>	Total cost and price development		
<input type="checkbox"/>	IKEA Components and IKEA Industry		
<input type="checkbox"/>	Logistics, supply and inventory management		
<input type="checkbox"/>	Purchasing and sourcing		
<input type="checkbox"/>	Etc.		
<input type="checkbox"/>	Etc.		
<input type="checkbox"/>	Etc.		

3.2. Strategic, tactical and operational actions

Guideline: Be as specific as possible on agreed actions to facilitate follow-up over the years. Focus in 18-36 months ahead and only include 0-18 months if necessary. Try to map actions per fiscal year in the high-level implementation plan.

Table 6: Agreed actions template and high-level implementation plan.

Agreed actions on YYYY-MM-DD							
	Actionable topic	What?	How?	Goal?	Responsible?	Time plan?	Priority?
■	Quality	<ul style="list-style-type: none"> Action 1 Action 2 Action 3 					
■	Sustainability	<ul style="list-style-type: none"> Action 1 Action 2 Action 3 					
■	Capacity	<ul style="list-style-type: none"> Action 1 Action 2 Action 3 					
■	Supplier base	<ul style="list-style-type: none"> Action 1 Action 2 Action 3 					
□	Etc.						
High-level implementation plan							
Action	FY18 (0-12 months)	FY19 (12-24 months)	FY20 (24-36 months)	FY21 (3-4 years)	FY22 (4-5 years)		
<ul style="list-style-type: none"> Action 1 Action 2 Action 3 Etc. 							

3.3. Follow-up and update

Guideline: Check compliance to agreements and update each other on progress on agreed actions.

Table 7: Follow-up of agreed actions.

Follow-up of agreed actions on YYYY-MM-DD				
	Actionable topic	Action	Status	Comment
■	Quality	<ul style="list-style-type: none"> Action 1 Action 2 Action 3 		
■	Sustainability	<ul style="list-style-type: none"> Action 1 Action 2 Action 3 		
■	Capacity	<ul style="list-style-type: none"> Action 1 Action 2 Action 3 		
■	Supplier base	<ul style="list-style-type: none"> Action 1 Action 2 Action 3 		
□	Etc.	<ul style="list-style-type: none"> Action 1 Action 2 Action 3 		

4. BPL input sharing

Guideline: Exchange tactical SWOT BPL input between BA and category, i.e. in the same time horizon as the document focuses. BA give input to the category BPL process (PDP) and category give input to the HFB BPL process preferably in a SWOT matrix like the one in Figure 2.

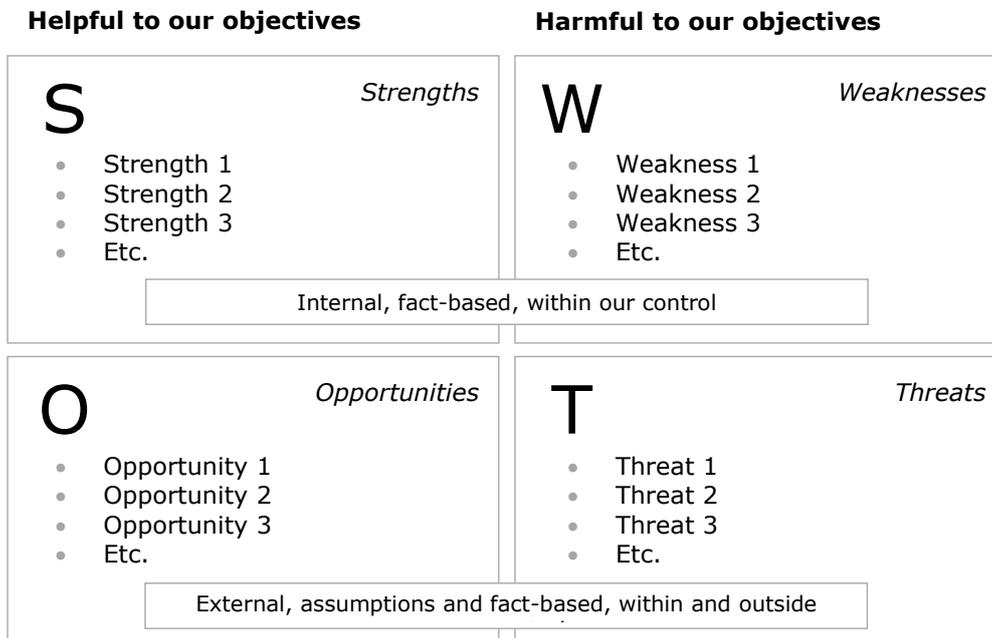


Figure 2: SWOT matrix for BPL input sharing. Adapted based on IKEA (2015).

5. Appendix

Guideline: Relevant good-to-know and must-know information from processes and documents directly related to Sourcing Assignment and other parts of IKEA's value chain should be linked to. Highlight the most important ongoing joint projects and current performance KPIs.

5.1. Links to related documents

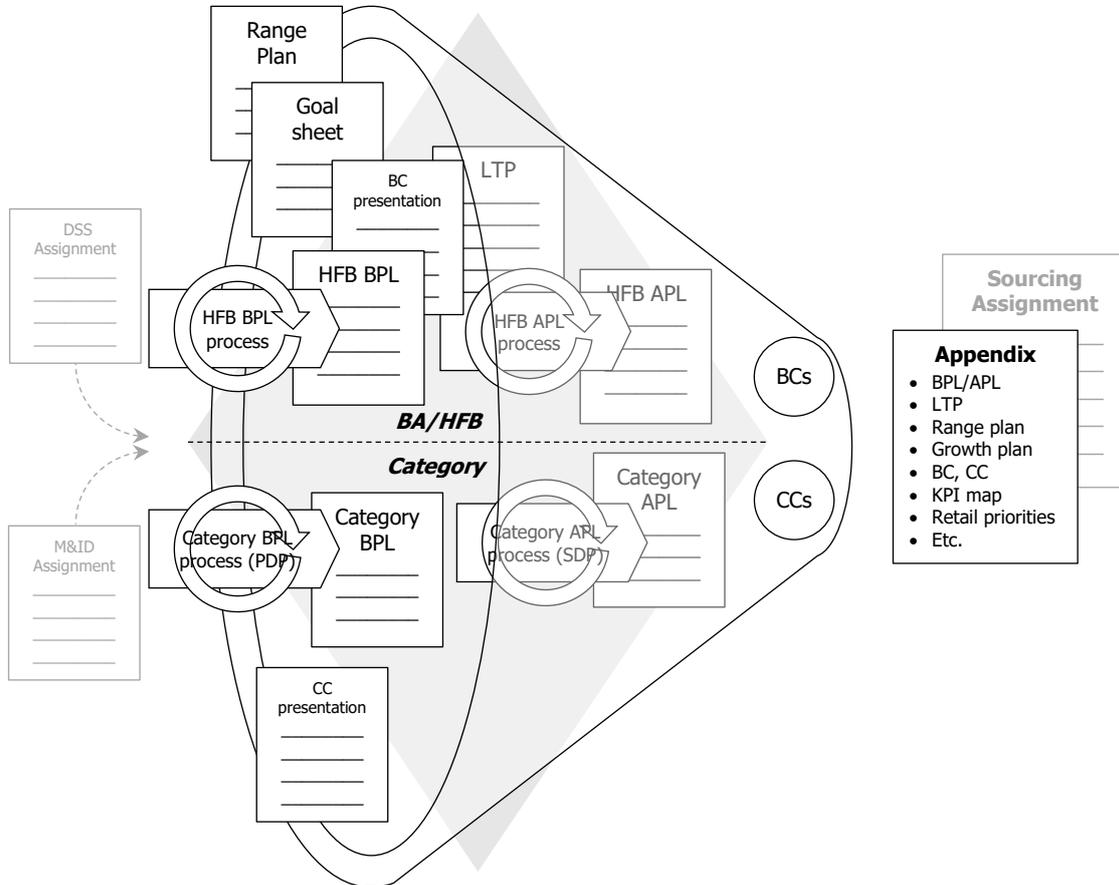


Figure 3: Sourcing Assignment appendix material.

5.2. Joint projects overview

Guideline: Fill in ongoing and planned projects between BA and category.

Table 8: Joint projects overview.

Project	Comment
<ul style="list-style-type: none"> • Project 1 • Project 2 • Etc. 	

5.3. Current performance KPIs

Guideline: Overview of good-to-know and must-know performance KPIs in BA and category.

Table 9: KPI map overview.

KPI	BA				Category			
	KPI 1	KPI 2	KPI 3	Etc.	KPI 1	KPI 2	KPI 3	Etc.
Current performance								
Past and future trend								
Comment								

5.4. Sourcing Assignment framework

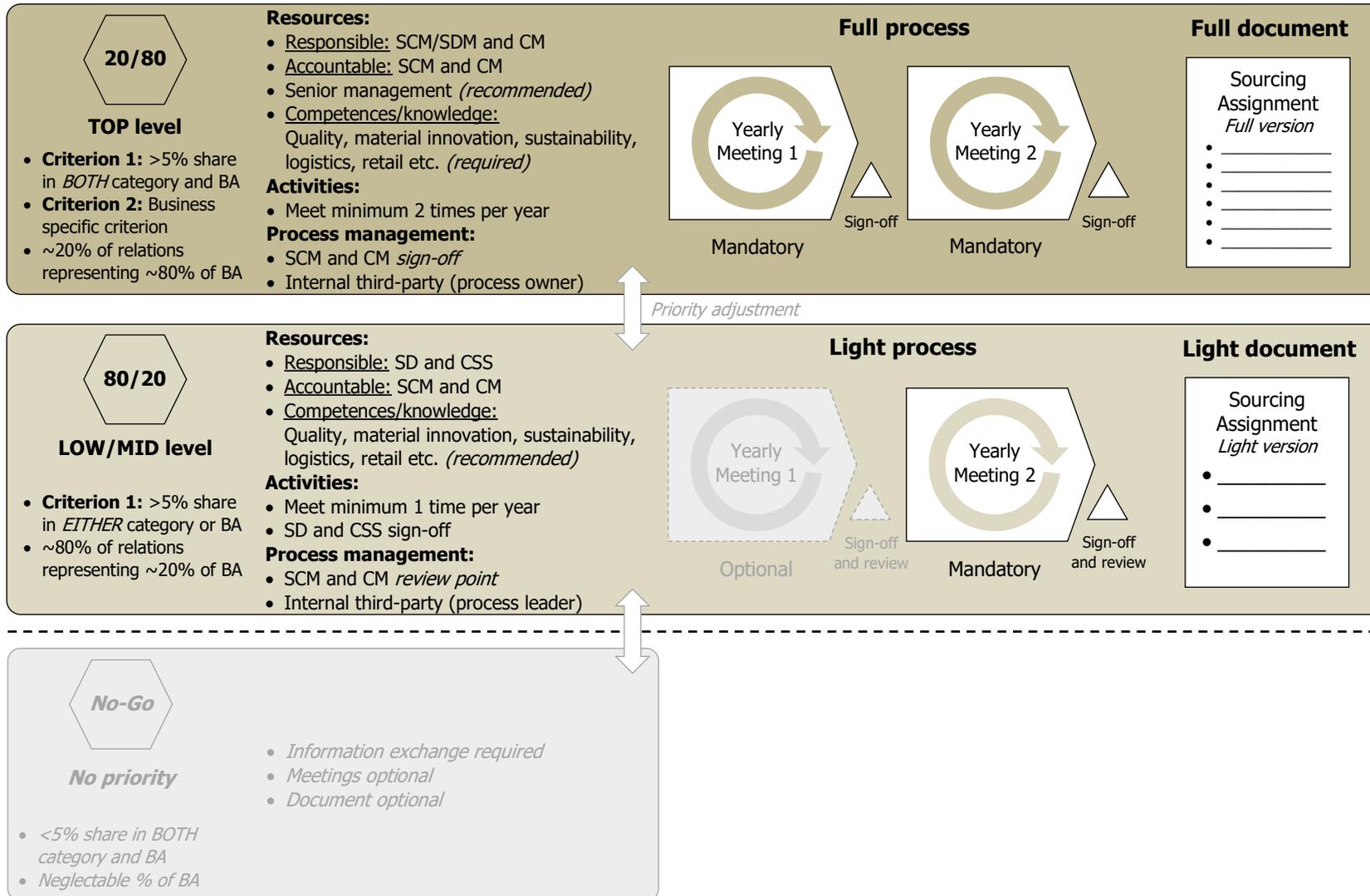


Figure 4: Sourcing Assignment framework.

5.5. Sourcing Assignment process map

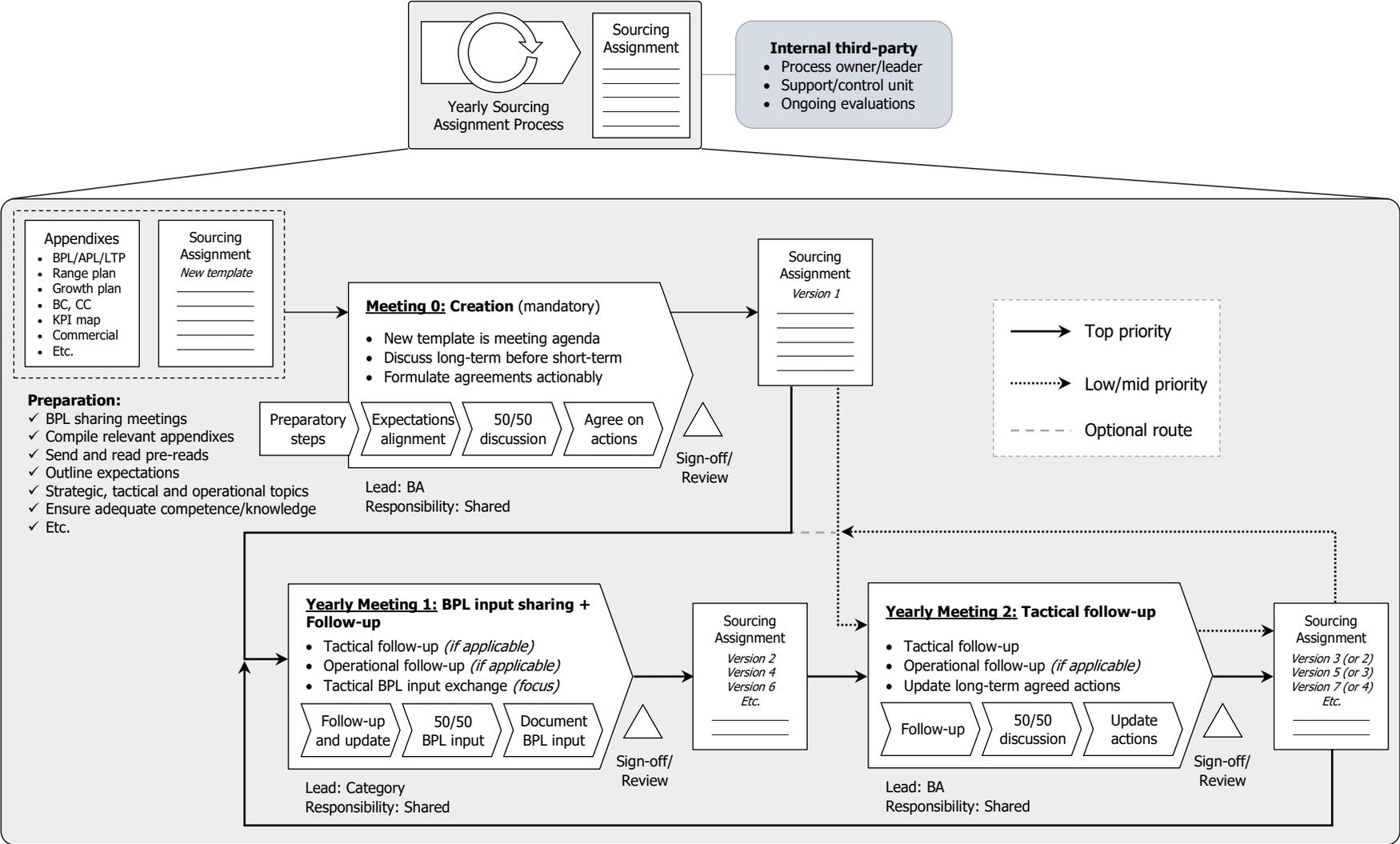


Figure 5: Sourcing Assignment process map.

5.6. Sourcing Assignment year cycle

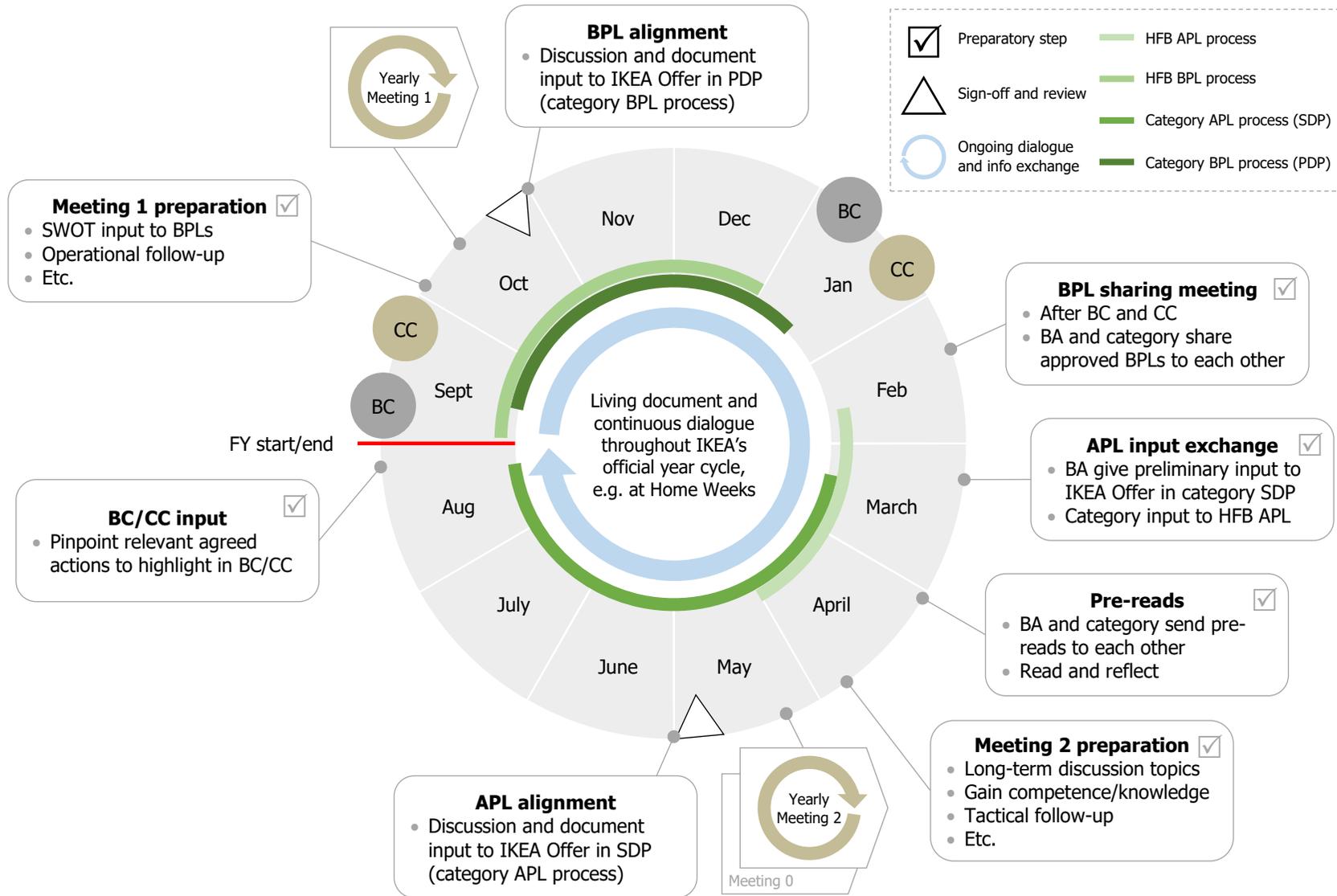


Figure 6: Sourcing Assignment year cycle.